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HERE A GOOD  
OR THE  
Richard

Computers  
IBM sends in  
the clones  
Page 17

Management  
How to deal with  
difficult people  
Page 10

Consumer brands  
The challenge of  
Eastern Europe  
Page 12

Ross Perot  
What US business  
thinks of him  
Page 5



# FINANCIAL TIMES

Wednesday June 10 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

## Pechiney to sell nuclear-related units for FF2.2bn

The French government has asked Pechiney, the state-controlled aluminium group, to sell its nuclear-related businesses for FF2.2bn (\$400m), in a reorganisation of one of the world's leading nuclear industries.

Pechiney has agreed to sell most of those businesses to Framatome, France's monopoly builder of nuclear reactors, fuel and related products, and Cogema, nuclear fuel reprocessing group. Page 15

**Survival fight** Oskar Lafontaine, enfant terrible of Germany's opposition Social Democratic party, was battling for his political life over allegations that he bent the rules of pension rights to gain a windfall of DM100,000 (\$62,000). Page 14

**Growth hopes** West German industrialists expect output to return to normal at the end of 1993, and grow at an average 2.5 per cent a year for the following three years. Page 2

**Galleries Lafayette**, one of France's most famous chains of department stores, is launching a FF2.78bn (\$135m) offer for the remaining shares in Nouvelles Galeries, the retailing group that it won control of last year. Page 16

**Election switch** President George Bush, in what would be a substantial tactical shift, may join Governor Bill Clinton and Ross Perot, his rivals for the presidency, on the radio and television talk show circuit. Page 14; Big business not big on Perot. Page 5

**Casino**, French distribution group, is creating one of the largest forces in French food retailing by buying the food interests of its competitor, Rallye. Page 15

**Wall Street** Uncertainty among investors about the economic outlook and concern regarding overvalued equity markets sent share prices into a brief tailspin in New York and at the close the Dow Jones Industrial Average was down 34.21 at 3,569.92. US stocks. Page 34

**Federal talks in Czechoslovakia**

The newly-elected leaders of the Czech and Slovak republics are to try to form an interim federal government despite deep disagreements over the future federal state. Vaclav Klaus (left), Czech leader of the Civic Democratic party, said yesterday's meeting revealed "completely different positions". Page 3; Republics divided by shifting ground. Page 3

**Aetna Life & Casualty**, one of the largest US composite insurance companies, is selling its reinsurance subsidiary to a buy-out vehicle for about \$1.4bn. Page 18

**Terrorist links** Libya told a British official in Geneva about its links with the Provisional Irish Republican Army. Page 4

**BT**, UK telecommunications group, was told to accept a tough new regime for controlling its prices or face investigation by the Monopolies and Mergers Commission. Page 8; LEX. Page 14

**Self-criticism** The UK self-regulatory body for the fund management industry has produced a critical report on its performance in supervising Maxwell pension fund operations. Page 14; Firms aided Maxwell fraud, writ alleges. Page 8

**Criticism** The offer for sale of The Telegraph, which owns the UK's largest selling daily quality newspaper, will cut the stake held by Conrad Black's Hollinger Group to 68 per cent. Page 16; LEX. Page 14

**Starvation looms** Serb forces resumed their bombardment of Sarajevo and street battles flared again in the Bosnian capital where many of the 300,000 encircled residents face starvation. Page 3; Crackdown on the press. Page 3

**Vies**, fast-growing German conglomerate, is to enter the international shipping, freight and warehousing business through the purchase of a stake in Kühne & Nagel. Page 18

**Salary boost** The Spanish have supplanted the Swiss as the highest paid managing directors in Europe. Page 2

**Secrecy attacks** Democrats in Hong Kong condemned a British decision to bypass the local legislature and introduce the UK 1989 Official Secrets Act by administrative means. Page 4

**New debt terms sought** Venezuela says it intends to seek new financing terms for about \$760m of external government debt. Page 5

STOCK MARKET INDICES		STERLING	
FT-SE 100	2,836.4	New York	1,835 (1,835)
Yield	4.67	London	1,833 (1,834)
FT-SE Contract 100	1,174.96	DM	2,915 (same)
FT-AJ-Share	1,278.56	FF	9,815 (9,825)
FT-World Index	141.58	SF	2,575 (2,585)
Nikkei	17,845.04	Y	224 (223)
New York		S Index	92.6 (same)
Dow Jones Ind Ave	3,569.92		
S&P Composite	410.06		
US CLOSING RATES			
Federal Funds	3%		
3-mo Treas Bill Yld	3.749%		
Long Bond	10.15		
Yield	7.97%		

LONDON MONEY		DOLLAR	
3-mo Interbank	18%	New York	1,835 (1,835)
Life long gilt future	87.12 (Sep 97)	DM	2,915 (same)
FT-100	2,836.4	FF	9,815 (9,825)
FT-100	2,836.4	SF	2,575 (2,585)
FT-100	2,836.4	Y	224 (223)
FT-100	2,836.4	S Index	92.6 (same)

NORTH SEA OIL (Argus)		LONDON GOLD	
Brent 15-day (July)	\$21.25 (21.075)	New York	338.3 (338.2)
WTI	\$21.25 (21.075)	London	337.5 (337.5)

NEW YORK COMEX (June)		TOKYO COMEX (June)	
Gold	338.3 (338.2)	Gold	127.25
Silver	337.5 (337.5)	Silver	127.25

AUSTRIA		BELGIUM	
Sch30	1162	1000	1162
Bel30	1162	1000	1162
Den30	1162	1000	1162
FF30	1162	1000	1162
DM30	1162	1000	1162
Y30	1162	1000	1162
US\$30	1162	1000	1162
JPY30	1162	1000	1162
GBP30	1162	1000	1162
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GBP30	1162	1000	116



## NEWS: EUROPE

## Row on French right turns into deep split

By Ian Davidson in Paris

A BLAZING row erupted yesterday within France's conservative opposition alliance over differences in attitude towards the Maastricht Treaty.

On Monday night, the Gaullist RPR party issued an ultimatum demanding participation of the centre-right UDF umbrella group led by former President Valéry Giscard d'Estaing in the referendum campaign to persuade voters to approve the treaty.

The RPR leadership said continued UDF participation would have "grave consequences for the union of the opposition".

The Gaullist party has now taken a decisive step towards outright opposition to the Maastricht Treaty, whereas the UDF and its centrist allies are openly committed to support it. This disagreement is likely to become increasingly bitter as the Maastricht ratification process drags on through the summer and autumn.

Some political commentators are speculating that the split between the Gaullists and the UDF could become so damaging as to jeopardise their chances of an effective campaign in next spring's general elections.

Many of the leading figures in the UDF and centrist parties, starting with Mr Giscard d'Estaing, are already campaigning for a "Yes" vote in the Maastricht referendum announced by President François Mitterrand for next autumn.

Their eager agreement to take part in the referendum campaign, on the same platform as ministers in the Socialist government, is one factor

which has helped to ignite the row between the two conservative groups. But the other factor is last week's Danish referendum, which narrowly rejected the Maastricht agreement, and which has caused the Gaullist party to swing decisively against the treaty.

Last month's debate in the National Assembly showed that the Gaullists were deeply and passionately divided over Europe. Almost half the party's 126 members voted against the Maastricht treaty, while nearly all the remainder abstained.

But since last week's Danish referendum, the anti-Communist wing of the Gaullist leadership, led by Senator Charles Pasqua, the former interior minister, has succeeded in capturing control of the party's European policy, and has swung it decisively against the treaty.

UDF and centrist leaders yesterday firmly rejected the Gaullist threat, and last night Mr Giscard d'Estaing planned to fulfil his commitment to speak in support of Maastricht at a meeting in Strasbourg, on the same platform as Mrs Elizabeth Guigou, European affairs minister in the Socialist government.

The Gaullists claim that UDF participation will turn the referendum into a plebiscite of personal support for President Mitterrand, with damaging effects on the election prospects of the conservative parties next March.

There can be no doubt that Mr Mitterrand has from the beginning been aware that the European debate was always going to be deeply damaging for the conservative opposition.

## A reputation divides Spain's establishment

Scandal surrounding the Bank of Spain's governor is changing the face of a nation, writes Peter Bruce

"The main activity of the Ibercorp group is speculation and the support of its own share prices. Even if equity is greater than the minimum required ... we have doubts about the viability of Ibercorp." Bank of Spain inspectors report, February 6, 1992.

"At its last inspection Banco Ibercorp did not have any problems and no shortfalls of any kind ... the bank was found to be in perfect condition." Mariano Rubio, Governor of the Bank of Spain, to parliamentary committee, February 20, 1992.

GOLF partners will sometimes joke that Mr Mariano Rubio, the governor of the Bank of Spain, has a handicap which does not always reveal what a good player he is. But none of them thinks of him as a liar.

Nevertheless, when he sits before a parliamentary committee in Madrid today to explain how, in February, he told them that a bank under his supervision was "in perfect condition" when his inspectors quite plainly thought it was not (and which two weeks later collapsed) he will be fighting to salvage one of the most distinguished reputations in Spanish public life.

The scandal that ruined Ibercorp has already destroyed any chance of Mr Rubio being re-appointed governor for a third term next month. It has buried a social and financial establishment and begun a media war which threatens to reshape Spain's opinion-making machinery.

Mr Rubio has already explained that his testimony in February was technically correct. The Ibercorp group's bank, at the time, had assets worth more than its liabilities and as governor he was never going to suggest in public that a bank might be in trouble because the inevitable result was that it would be.

But the scandal has deeper roots. On February 12, the young newspaper, *El Mundo*, claimed that Mr Rubio and a host of society figures had been favoured in a share transaction made by Ibercorp's president and founder, Mr Manuel de la Concha and his partner, Mr Jaime de Soto.

Mr de la Concha had been a close friend of the governor (and his broker) for 25 years.

A former stock exchange chairman, Mr de la Concha and Mr Soto had been given a

### Mariano Rubio was a key figure in the capitalist élite

banking licence by the Bank of Spain to open a small bank in the late 1980s when Mr Rubio was granting a string of similar licences.

*El Mundo* reported, in a story subsequently confirmed by the stock market commission, that funds being managed by Mr de la Concha on behalf of Mr Rubio and Mr Miguel Boyer, a former finance minister, had been invested in an Ibercorp subsidiary, *Sistemas Financieros (SF)*. In the spring of 1990, SF suddenly accumulated large amounts of its own stock.

Investigating this, the commission asked Ibercorp for a list of the people who had sold SF shares back to SF. The list was incomplete and a second list, supplied under pressure, revealed that someone had deliberately omitted Mr Rubio's name from the first list and disguised the names of Mr Boyer and his wife, Mr de Soto and Mr de la Concha and members of his family.

The SF share price collapsed soon after it had accumulated its own stock. Thus Mr Rubio and the others had been



Rubio: Spain's stock market commission confirms reports of seemingly preferential treatment in selling shares

able to get rid of their stock while lesser shareholders in SF were abandoned to their fate.

Both Mr Rubio and Mr Boyer insist that they did not know their names were being omitted and altered and Mr Rubio insists that he did not interfere with Mr de la Concha's handling of his modest \$120,000 portfolio.

Mr Rubio's association with Mr de la Concha was poorly judged on the governor's part, but it is easy to understand. They were at university together and, like many young men at the time, disliked both the Franco dictatorship and its radical opponents.

It was they who became the capitalist, modernising élite in Spain towards the end of the dictatorship and who - as an informal network of civil servants, financiers and businessmen - oiled the wheels of economic reform after Spain became a democracy. Newly free and hungry for glamour, the media dubbed a core group of these reformers *los bufidos*.

But the past three or four years have seen new faces take the high ground in Spanish business life. Two newcomers, in particular, have shaken the establishment - Mr Mario Conde, who was appointed president of one of the coun-

try's biggest banks, Banesto, in 1988, and Mr Javier de la Rosa, a Catalan entrepreneur who partnered the Kuwait Investment Office (KIO) in a \$60m investment drive in Spain in the late 1980s and who is now the country's most powerful individual investor.

As convenient new arrivals, these two have been blamed, in certain newspapers supporting the governor, for starting a campaign to unseat Mr Rubio. This conspiracy theory is full of holes, though, and ignores the fact that Ibercorp was well known for the number of people who joined and quickly left it.

## France faces new outbreak of violence in urban areas

By William Dawkins in Paris

THE French government's campaign against urban violence yesterday faced a fresh challenge in the shape of two outbreaks of rioting near Paris and the northern town of Tourcoing.

In Argenteuil, north-west of the capital, bands of youths smashed shop windows and car windscreens, and threw petrol bombs late on Monday night, as a result of which eight were arrested. In Tourcoing, petrol bombs were thrown and a van set on fire after police tried to capture a stolen car being driven through the suburb of Bourgoigne. A day earlier in Tourcoing, windows were broken and two cars set alight in

clashes between youths and policemen.

The Tourcoing disturbances were marked after a young north African motorcyclist fell when police approached him for not wearing a helmet. A portable police radio was thrown, say eye-witnesses. At Argenteuil, the spark was the murder of a teenage Arab by a drug dealer.

These new outbreaks are the latest in a two-year series of sporadic rioting, starting in a suburb of Lyon in September 1990. Ironically, this comes just a month after President François Mitterrand attributed the Los Angeles riots to the lack of social protection in the US.

The French government, however, has made urban pol-

icy a big priority recently. It will spend more than FF2.2bn on urban renewal, development and security this year. It has recently stepped up efforts to curb youth violence in the hot summer months, the highest risk time.

Poverty and unemployment are thought to be factors in France's urban discontent. This twin problem was a factor in the decision three years ago to introduce a national minimum income (*revenu minimum d'insertion*) to help those inadequately covered by other kinds of social security. Plans to extend the scheme were yesterday presented to the National Assembly, which is likely to adopt the scheme in the current session.

## Romanians likely to see poll delayed

ROMANIA is unlikely to hold general elections until October following parliament's rejection of electoral legislation late on Monday night, writes Virginia Marsh in Bucharest.

Despite a compromise reached in the House of Deputies, the lower chamber, last week, which set an election date of July 26, a combined session of the House and the Senate overturned the decision by 240 to 182 votes.

The decision comes as a blow to the coalition government, led since October by Mr Theodor Stolojan, which has pressed parliament to adopt the legislation since March.

Mr Stolojan, a non-partisan prime minister, said that deferring elections until autumn

would aggravate the hardships of the transition and would visibly delay foreign aid and investment. The country's political leaders have delayed the elections because of their own "political wars" and in doing so had acted against the will of the people, he said.

Mr Stolojan has asked parliament and Mr Ion Iliescu, Romania's president, to grant the government extra powers so that it can continue with economic reform in the interim.

Legislation vital for reform has been held up in recent months because of serious fighting in parliament, which is dominated by conservatives, including many former Communist officials.

## Spain leads pay league of top executives

By Diane Summers, Labour Staff

SPANIARDS have supplanted the Swiss as the best paid managing directors in Europe, with UK counterparts coming three-quarters of the way down a league table of 12 countries, a survey reports.

Pay increases for executives, net of inflation, have declined across all the main European economies.

Rises of 2 per cent and under in the first quarter of 1992 contrast with increases of over 5 per cent in the late 1980s.

The survey of more than 30,000 executives in over 3,300 companies was carried out by a consortium of European management consultants led by P-E International.

Countries covered are Austria, Belgium, Denmark, France, Germany, Ireland, Netherlands, Portugal, Spain, Switzerland and the UK, with some data from Italy.

Gross annual pay for the managing director of a Spanish manufacturing company with annual sales of £75m now stands at 8.8 million sterling equivalent of £125,000.

The comparable Swiss figure is £123,000, UK £87,000 and, bottom of the league, Ireland \$65,000.

However, when tax, social security and cost of living adjustments are made, the Swiss move back to top position, the UK are seventh and Denmark - where both the cost of living and tax rates are high - comes bottom.

Performance and profit-related pay schemes are common for MDs across Europe, apart from in Italy, and there is growing interest in such schemes at lower levels of management, the survey finds. Profit-sharing schemes are mainly limited to Denmark, France and the UK.

Company pensions and cars continue to be the most important benefits. Pension schemes in Portugal and Spain are still developing but it is only in Italy, where state provision is comprehensive, that company pension schemes are unusual.

Cars for MDs are widespread, although the UK leads the field when it comes to company cars for senior managers: 70 per cent of senior and middle managers receive cars in Britain but only 14 per cent do in France and 41 per cent in Germany.

The report's forecasts for executive pay increases during 1993 are, net of inflation: 1.4 per cent for the UK; 1.5-2.5 per cent for Germany; 0.1-1.5 per cent for France; and 0.5-2.1 per cent for Spain.

### NEWS IN BRIEF

## Yeltsin to appoint Russian army chiefs

Russian president Boris Yeltsin is expected shortly to appoint the top brass for the new Russian armed forces, which are being built from the remains of the Red Army, writes Leyla Boulton in Moscow.

General Pavel Grachev, the Russian defence minister, said yesterday that the names of new deputy ministers, new commanders for the army, navy, air force and other services would be announced within days. He also said that there would be a reshuffle of some military district commanders.

The new deputy ministers are to be "new people" - leaving no room for deputies from the formerly Soviet and now so-called Commonwealth of Independent States. Gen Grachev said they would be selected on a "democratic" basis from multiple candidates who were in Moscow for the final selection procedures. But it is also clear that President Yeltsin will be looking for people whose loyalty he can rely on most at a time of political instability, and low morale within the armed forces.

## Austria affirms wish to join European Community

Austrian Foreign Minister Alois Mock yesterday said Austria identified fully with plans for closer European union and wanted to join the European Community despite Denmark's rejection of the Maastricht treaty, Reuters reports from Bonn.

Mr Mock told a joint news conference after talks with German foreign minister Klaus Kinkel that Austria hoped to begin negotiations early next year on joining the Community. Mr Kinkel said he supported Austria's wish.

Mr Mock said Austria hoped an EC summit in Lisbon this month would agree to start membership talks with Vienna in early 1993.

## Pawlak is confident about forming Polish government

Mr Waldemar Pawlak, Poland's new prime minister and leader of the PSL farmers' party, expressed confidence yesterday about forming a government despite major differences between the parties which support him, writes Christopher Bobinski from Warsaw.

He said that consultations held so far had shown a "willingness to agree" and urged "that there should be less political manoeuvring with everyone getting down to work". President Walesa has given his backing to Mr Pawlak, but has warned that if he fails, he will urge parliament to accept a cabinet chosen from outside the political parties.

## Farmers bring traffic chaos to Toulouse

FARMERS blockaded the southern French city of Toulouse yesterday, stranding thousands of motorists for hours, to protest against the reform of the European Community's farm policy, police said, Reuters reports from Toulouse.

Huge traffic jams built up during the day-long protest and spread to the nearby Gers, Tarn and Haute-Garonne departments.

Near Paris, thousands of farmers drove tractors up to the gates of the Versailles palace. They also burnt tyres and clashed with riot police outside the government's local headquarters.

The Toulouse protesters lifted the blockade after the region's deputies agreed to meet them on Friday and take up their grievances in parliament.



The Hellenic Shipyard, outside Athens, is one of four loss-making Greek yards threatened with closure under the EC's anti-subsidy directive

## Greek shipyards set for life after subsidy

Kerin Hope looks at progress in finding buyers for over-manned repair facilities

LIKE EVERY Greek island, Syros has a rocky harbour overlooked by a cluster of pastel-coloured houses. What sets it apart are the cranes and floating docks of Neorion Shipyard, the only large ship repair facility in the Aegean.

Neorion is one of four loss-making Greek yards that were threatened with closure under the European Community's directive for ending government subsidies to the shipbuilding industry.

All were controlled by state-run banks which provided a steady flow of operating funds while ignoring the yards' rising debts.

Now a last-minute scramble is on to secure buyers for both Neorion and Hellenic Shipyard, a large yard outside Athens, before the EC's June 30 deadline for shutting them down.

"The Commission has taken a more understanding view since we started procedures for privatising the yards, especially over debt write-offs. But we can't afford any more

delays," says Mr Alexander Demacopoulos, deputy governor of the Hellenic Industrial Development Bank (ETVA), a leading shareholder in both yards.

Inevitably, ETVA's financial advisers are seeking buyers among the Greek shipping community. Stripped of most of their debts, the shipyards are now a much more attractive proposition, despite their old-fashioned technology and over-large workforces.

Greek shipowners are well aware that the ageing international shipping fleet will need much renovation in the next few years in order to meet tighter anti-pollution regulations. Greek owners have already come to the rescue of the other two yards.

An Athens-based owner, Antonis Lelakis, leased Halkis Shipyard, the smallest facility for repairs and conversions of his own fleet. Then the Peraktos Group, a London-based operation, agreed to buy Eleusis Shipyard near Athens from Commercial Bank, for

\$90m.

The price includes some liabilities, among them a \$30m dollar Japanese loan. The agreement also included a commitment to improving the yard's facilities and retaining its 2,000-strong workforce.

Two large Greek groups have submitted bids for Hellenic

Dr190m a month. Selling Neorion is seen as particularly important because of government policy of trying to prevent further depopulation of the Aegean islands.

The Syros economy depends heavily on the yard. More than 20 per cent of the workforce is employed there, and local suppliers are numerous. Syros attracts few tourists, while textile plants, the island's only other industry, are in decline.

Neorion is popular with international shipping companies because of its position in the central Aegean, only a few hours' sailing time from the main shipping routes across the Mediterranean. In an average year, it handles over 100 ship repair and maintenance jobs.

Though the yard has a reputation for productivity, it badly needs new equipment. However, losses have shrunk in recent years, amounting to Dr500m on sales of Dr3.5bn in 1990, according to the latest figures available.

Neorion's reputation for labour militancy was consid-

ered a deterrent to potential buyers. But ETVA has been instrumental in negotiating voluntary lay-offs of one-quarter of the 900-strong workforce in the past three months, while union attitudes appear to be changing.

"The EC is a very different thing to contend with compared to the government," says Mr Costas Raouzaos, the yard's union leader. "We still believe that shipyards are a strategic industry that should stay in state hands. But if it's a choice between privatisation and closure we have to be realistic."

In return for acceptance of the lay-offs, ETVA appointed a Greek merchant bank, Alpha Finance, as the yard's financial adviser so that the islanders could prepare their own bid for the yard. But given the last-minute rush of interest from shipowners who are keen to negotiate future working relationships with the union, "we may not have to present our own offer after all," says Mr Raouzaos.

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## Prague seeks to escape deadlock

By Anthony Robinson and  
Ariane Genillard in Prague

THE newly-elected leaders of the Czech and Slovak republics have agreed to try to form quickly an interim federal government, despite deep differences over the future federal state revealed at their first meeting, which ended early yesterday.

Mr. Václav Klaus, Czech leader of the Civic Democratic party (ODS), said the six-hour meeting revealed "completely different positions" on the future of the 74-year-old federation. He said the Movement

for a Democratic Slovakia, led by Mr. Vladimír Mečiar, was "not interested" in a common state.

"They are for a vague economic and defence union, a community of two sovereign states modelled more on the Visegrad Alliance (between Czechoslovakia, Hungary and Poland) or a mini-European Community than a federation," he said.

"We have no illusion about the chances for success and stability for such an unusual configuration."

At a press conference Mr. Klaus reiterated that his party

demanding what he called a "working federation", continuation of economic reforms and the re-election of Mr. Václav Havel as president as the basis for a reformed federal state.

The Slovak leader has refused to support President Havel's candidature and declared his intention to proclaim a sovereign Slovakia with its own constitution and president. He has also expressed radical differences on economic ideas, including the demand for a Slovak central bank. Mr. Klaus said the two sides had not even started to discuss economic matters dur-

ing their talks which will resume in Prague tomorrow.

However, they agreed on the need to form an interim federal government as soon as possible and will discuss details of a skeleton administration at their next meeting.

Mr. Klaus said that the first round of talks, which took place in Brno, the Moravian capital, halfway between Prague and Bratislava, were held in a "calm and business-like manner". In spite of the depth of their disagreements, neither wants to be seen as being responsible for a future break-up of the federal state.

## Ultra-nationalists try to silence liberal voices Serbia and Croatia launch crackdowns on the press

By Judy Dempsey in Belgrade

THE PRESS in Croatia and Serbia has remained relatively free over the past year despite the imposition of censorship because of the civil war. But recent events suggest that a widespread crackdown on the media is taking place in both republics.

The Croatian authorities yesterday stepped up their campaign against critics by prohibiting the publication of a leading opposition weekly magazine. In Serbia, the state-run media is dismissing or demoting non-Serbs from the radio and television.

The moves against the media in Croatia followed the decision by Mr. Vladimir Seks, the newly-appointed state prosecutor, to start proceedings against the republic's most prominent journalists and members of the opposition.

They include Mr. Ivan Zvonimir Cical, head of the Croatian Peasants' party, Mr. Milorad Pupovac, leader of the Serbian Democratic Movement, and Ms. Jelena Lovric, a columnist at Danas, the weekly magazine.

The journalists and opposition members are being charged under article 197 of the penal code which states that anyone disseminating false information will receive prison sentences of up to five years. Yesterday, the Croatian authorities prohibited the pub-

lication of Danas, a forum for independent thinking, on the grounds that it was insolvent.

But Mrs. Savka Dabčević-Kučar, leader of the opposition Croatian People's Party, said it was an attempt by the ruling Croatian Democratic Union, led by President Franjo Tuđman, to bring the small independent-minded press under its control. Slobodna Dalmacija, a daily which has consistently campaigned for press freedom, even under the former communist regime, will also be placed under state control.

"Tuđman is becoming increasingly authoritarian. Anyone who criticises him is regarded as a traitor to the Croatian state," said Mr. Mate Mestrovic, deputy head of the People's Party.

He added that if the parliamentary elections go ahead as scheduled this summer, censorship in the state-run television and media will be increased even further. Unlike Serbia, there are no semi-official television or radio channels.

Western diplomats and UN officials yesterday said Mr. Tuđman is using the international spotlight on Serbia as an opportunity to quash the opposition. They also fear that through silencing his critics, Mr. Tuđman may be preparing to launch an offensive in eastern Slavonia, east of the republic which Serb forces seized last year. Although parts of the

region are now under the protection of UN peace-keeping forces, diplomats believe Mr. Tuđman, and Mr. Djoko Susak, the defence minister, are determined to place the region under Zagreb's control.

In neighbouring Serbia, liberal-minded journalists have been demoted from Tanjug, the Belgrade-based state-run news agency. "Non-Serbs, or those with mixed ethnic background are being dismissed," said a former Tanjug editor. "Those who speak out, or write the truth, are also being demoted or told to leave," he added.

Mr. Vojislav Seselj, head of the ultra-nationalist Serbian Radical Party recently published a list of Serb journalists whose critical reporting was singled out for "betraying the Serbian cause". One freelance Serb photographer had his house machine-gunned last week in Belgrade after publishing photographs of a Serb executing a Moslem at point-blank range in Bosnia-Herzegovina.

Despite the clampdown in Serbia, the Belgrade-based Studio B, the semi-independent television channel, and B 92, the radio station, and Vremje, the weekly magazine, continue to break through the blanket of censorship.

However, diplomats said it was only a matter of time before Serbia went the same way as Croatia by silencing the liberal voices of opposition.

## Children made to suffer in city of evil

By Judy Dempsey in Belgrade

IT WAS raining yesterday in the Bosnian capital of Sarajevo. But Mirsad Beserovic was glad.

"It is awful when the weather gets very hot. The flies and rats descend on the piles of garbage now stacked high on the streets of our capital," he said.

For the past 60 days, the city authorities have been unable to collect the rubbish. Nor can they bury the dead. "It is like a ghetto. We cannot bury the dead in their rightful places."

"The people of Dobrinja, which is near the airport and which is being starved to death by Serb irregulars, bury their dead in the parks. It is awful. The children hear and see so much evil. There are 50,000 children under the age of 10 in Sarajevo. For the past 60 days, many of them have been in the cellars, without food, without milk, without protein. It is terrible. Some of their brothers and fathers have died while defending the city. What kind of childhood is this?"

"I have been unable to go home for 60 days. I do not know if my house has been shelled. I worry about my wife all the time. She is with my parents near Sarajevo."

"I have been living at the Sarajevo Radio studios where I work as a journalist. By day, I work. At night, I stay here at the Radio, like most of the people working here. It is not safe to go out. If I do, I might never come back alive. It is difficult to sleep at night. That is when the Serb irregulars and Yugoslav army start bombing."

"We live on rice and macaroni. I cannot remember the taste of fruit," said Mirsad. "I am not afraid of hunger, but of what I will see when, one day, it will be safe to walk the streets of Sarajevo again."

"I know that when I will walk out there, I will see destruction all around me. They are trying to destroy our beautiful city. They are trying to break the friendships between Sarajevo's Moslem, Serb and Croat population. But they will never succeed."

## Republics caught in great divide

By Anthony Robinson  
in Prague

THE CRISIS over Czechoslovakia's future as a federal state is taking place against the background of a political landscape which has already been transformed by last week's elections.

The anti-communist intellectuals, who kept passive resistance alive after the 1988 Soviet invasion and led the "velvet revolution" of November 1989 have been eclipsed. Their movements, the Civic Forum in the Czech lands and its Slovak version, the former "Public Against Violence" were already gravely weakened by earlier splits. Both failed to gain the 5 per cent of votes needed for seats in parliament.

The consequent departure of men like Mr. Jiri Dienstbier, the foreign minister, and 13 other members of the outgoing 18-man federal government, has weakened President Václav Havel.

He looks like an isolated monument from that brief period of euphoria when poets and philosophers replaced apparatchiks. His re-election next month has been threatened by the opposition of Slovak nationalists and former communists, although he retains the affection of many ordinary Czechs and Slovaks. But the polarisation of politics between "left-wing" nationalists in Slovakia and "right-wing" market reformers in the Czech lands which has put the federation at risk has also weakened other "centrist



Mečiar, leaning towards a coalition with reform communists

parties", like the former ruling Christian Democrats in Slovakia.

The erosion of the centre, and the return to respectability of the communists, especially in their reformed and renamed Slovak version under the young and personable Mr. Peter Weiss, has greatly narrowed the victors' scope for coalition

forming. In Slovakia, Mr. Vladimír Mečiar, the former communist whose nationalist Movement for a Democratic Slovakia (HZDS) just failed to win an overall majority in the Slovak National Council, has to choose between Mr. Jozef Prokeš, leader of the outright separatist Slovak National Party, or the Democratic Left

Party (DLS) of Mr. Weiss. First indications, after talks with both leaders yesterday, are that Mr. Mečiar is leaning towards the reform communists.

An alliance with the DLS would give Mr. Mečiar both more seats - and more flexibility in talks on the federal future. The choices open to Mr. Václav Klaus, whose Civic Democratic Movement won 80 out of 300 seats in the federal assembly, are more limited. The size of his electoral success squeezed out his natural ally, the Civic Democratic Alliance (CDA) and his right-hand man, Mr. Vladimír Dlouhý, the former federal economics minister.

The failure of the CDA to surmount the 5 per cent barrier means that Mr. Klaus will need allies other than a handful of Czech and Slovak Christian Democrats.

In order to confront the Slovak nationalists and Czech and Slovak ex-communists ranged against him in the federal parliament he needs a deal with the Social Democrats, who up to now he has dismissed as unrealistic believers in "a third way" between capitalism and communism.

Ironically, a decision to end the federation would greatly simplify politics in both republics.

Both Mr. Mečiar and Mr. Klaus dominate their republican parliaments and would be able to implement policies which would move both halves of the present republic in opposite directions.

## Milosevic faces a party split

By Judy Dempsey and  
Reuters in Belgrade

The Serbian president, Mr. Slobodan Milosevic, yesterday faced a rebellion within his ruling Socialist Party from opponents who accused him of serious misrule culminating in the United Nations trade and oil embargo.

Their move coincided with more street battles in the Bosnian capital, Sarajevo, where many residents, including Serbs, face starvation.

The split in Mr. Milosevic's

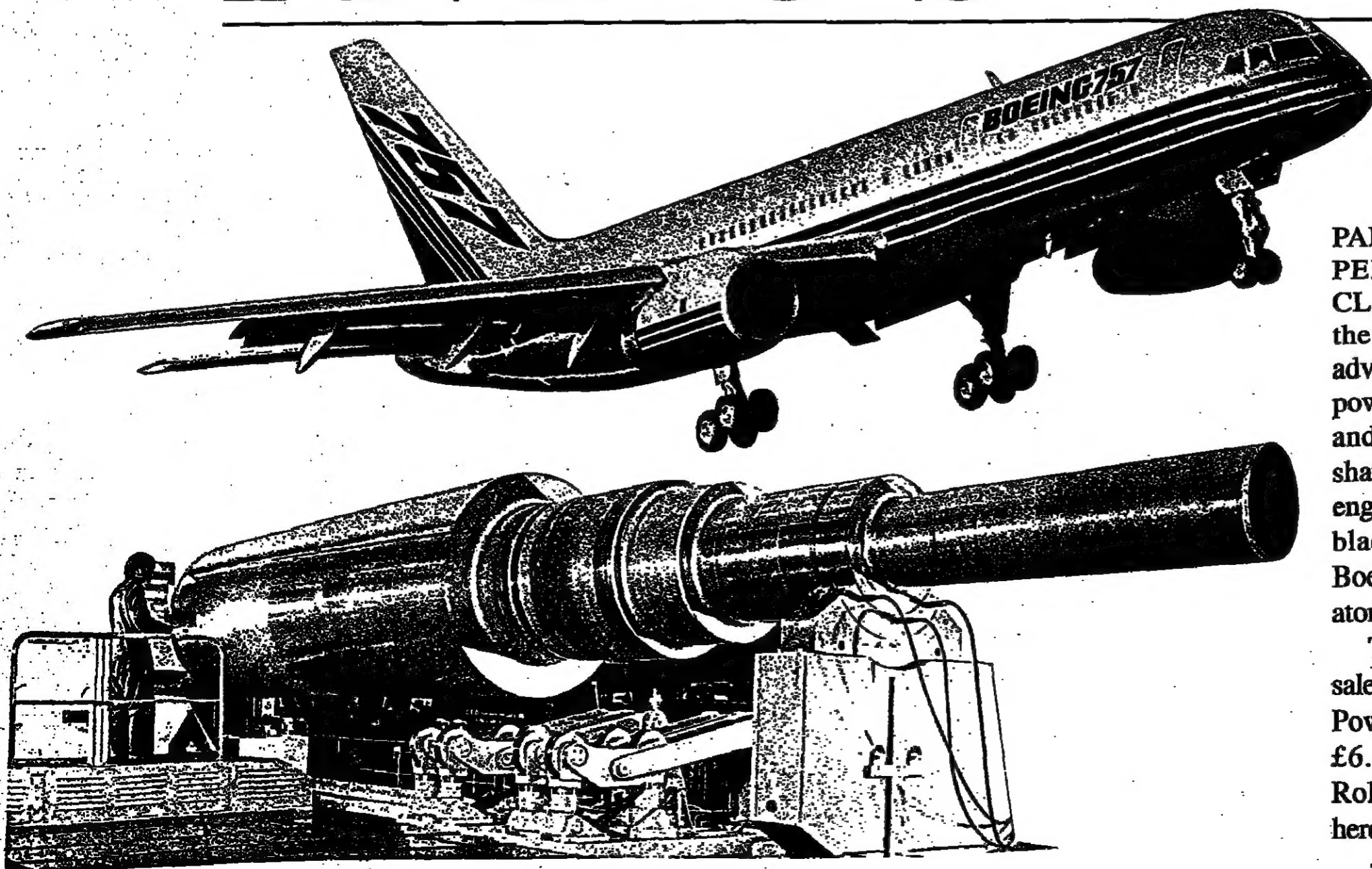
party was led by 13 socialist deputies in the Serbian parliament who said they would leave the party of ex-communists and set up their own political organisation unless there were fundamental changes. "We hope above all to bring about changes within the party, or to be more specific, changes to the party's direction," Mr. Jovan Cvetkovic, one of the rebel deputies, told Tanjug news agency.

The deputies criticised the party for the way it hastily created a new Yugoslav state

in April, its poor handling of the crisis and its relations with the dispirited federal army and the opposition.

In Sarajevo, fighting broke out towards midday after Serb forces held their fire during the night. Residents described the renewed fighting as intermittent shelling, less intense than on Monday when Sarajevo's Moslem, Serb and Croat defenders, defying a two-month siege by Serb irregulars, staged their first counter-offensive after three days of blistering Serb bombardments.

# CAPTAINS OF INDUSTRY



PARSONS, REYROLLE, ALLEN, PEEBLES, THOMPSON AND CLARKE CHAPMAN are part of the Rolls-Royce group, leaders in advanced technology, high-integrity power systems across the aerospace and industrial market place. They share a united vision of innovative engineering, from the wide chord fan blade on the engine powering the Boeing 757 to 750 ton turbine-generator lines.

This vision is broad-based: 40% of sales are contributed by the Industrial Power Group. And, with a £6.6 billion order book, Rolls-Royce leadership is here to stay.



THE SYMBOL OF POWER



## NEWS: INTERNATIONAL AND TRADE

## India's bankers agree interbank market overhaul

CHIEF executives of most of the largest banks in India met the governor of the central bank, Mr S. Venkatarman, yesterday to agree to an overhaul of the country's interbank market in the wake of the Rs30.8bn (\$600m) Bombay stock market fraud disclosed in recent weeks.

Sweeping changes, proposed in a report last week by Mr R. Janakiraman, the bank's deputy governor, have been agreed, including the separation of banks' securities activities into three units: investment management, record keeping and safe-keeping of securities.

Failure to separate these functions has made it easier for executives in some of the country's largest banks to generate fictitious deals and divert money from the market.

"Everyone wants a market place that reduces risk," said one chief executive present at the meeting.

Mr Venkatarman is to travel to London this week for a meeting of central bank governors, and expects to meet the chairman of Standard Char-

**R C Murthy and Richard Waters report from Bombay**

tered, the UK-based international bank that has total exposure of Rs10.55bn (£195m) in the affair.

Standard Chartered is understood to hold 15 trunks of securities lodged with it by Mr Hiten Dalal, one of the brokers who has been named in the affair.

The bank is still in the process of itemising these piles of shares, public sector bonds and other securities, and has yet to put a total value on them. However, it believes they will cover a substantial part of its exposure.

All the assets of Mr Dalal and others named in the affair were impounded on Monday by Mr A K Menon, the custodian appointed by the government to recover money lost by the banks.

## Tokyo hits back at Washington the 'unfair trader'

Japan finds condemnation can create a useful stir among its trading partners, Robert Thomson reports

AT LEAST one senior Japanese official welcomed Washington's anger at topping a new Japanese league table of unfair traders. The US scored more violations than Indonesia and Malaysia, two countries not generally cited as models of free trade.

Having felt neglected by the international community, Tokyo has concluded that condemnation can create a useful stir among its trading partners, particularly the European Community and US.

The release this week of a controversial report on Unfair Trade Policies should be taken as a promise of condemnation to come. The report, authorised by Japan's Ministry of International Trade and Industry (MITI), found that the US had abuses or misuses in nine of 10 trade categories surveyed.

It was blasted by the Bush administration on the "people who live in glass houses" principle and by US Congressman Richard Gephardt, who suggested that "Japan doesn't have the credibility to call others unfair".

Conceding that Japan is deficient in various trade areas, indeed, that the country is a "sinner", the government report, to be prepared annually, is intended to point the finger at Japan's major trading partners.

In the past, a passive Japan hinted it would appeal to the General Agreement on Tariffs and Trade (GATT) for a ruling on unilateral action taken against it by the US and EC, but Tokyo generally agreed to limit exports of cars, machine tools or textiles and complied with apparently dubious anti-dumping rulings.

The 312-page Report on Unfair Trade Policies assesses the legal validity of such unilateral action, and finds, in most cases, that Japan has been singled out. As such, the report is meant to be a warning that Japan will be less willing to accept voluntary restraint agreements and would be vindicated in any legal challenge against such agreements.

But there are two sides to a voluntary restraint agreement, and Japanese companies and MITI have consistently buckled under US and EC pressure. A few days before the report was released, Japanese electronics companies agreed to provide confidential procurement information to help the politically influential US semiconductor industry.

Over the past year, Japan has assisted the US Eximbank in its co-operative financing programme that helps US companies win third-country projects, agreed to the introduction of a new five-year semiconductor

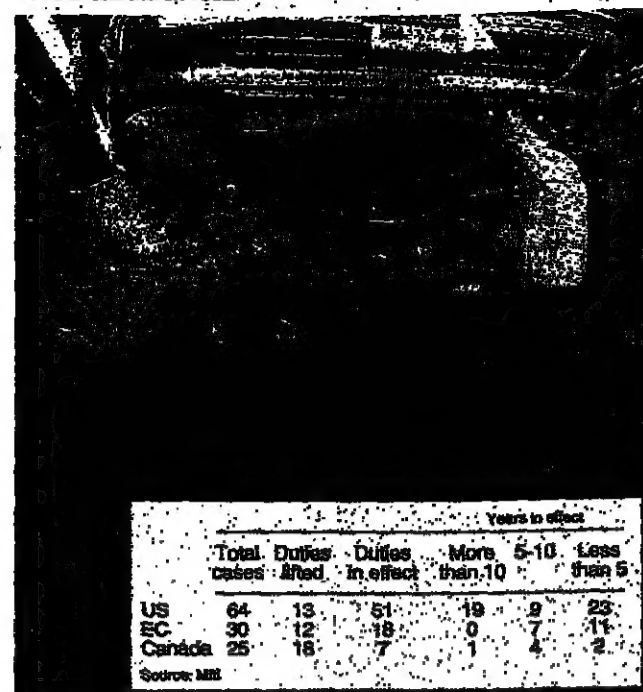
pack, and set targets for purchases of US-made car parts. "We do have our problems," a MITI official said yesterday. "But we think this report is important in establishing a legal framework for unfair policies. We are not really comparing the countries' performance because the report does not examine the degree of the problem in various countries." Apart from finding that various US and EC actions are unlawful, the report emphasises that countries are hurting themselves by imposing restrictions on trade. But there is also a blunt recognition that trade friction is "unavoidable".

"Friction is a product of development, an unavoidable way-station on the road to further growth. Yet this is a difficult fact to grasp, perhaps because trade friction is simply one kind of economic growing pain, and growing pains are not easily recognised as such by those experiencing growth," the report concluded.

But the report implicitly shows that those growing pains are unusually concentrated in the US-Japan region. "With the one exception of trade-related investment measures, the US employs unfair policies and measures in nine areas out of 10 cited in this report."

Those unfair policies include alleged quantitative restrictions on trade, discrimination against foreign products in government procurement, unilateral action against trading partners, arbitrary application of anti-dumping measures, arbitrary changes in tariff classification, and deficiencies in

### Antidumping duties on Japanese products 1970 to end-March 1992



protecting intellectual property. Trade negotiators in Washington were no doubt bemused to find government procurement and intellectual property on the offence list, as these are two areas in which the US

## Congress set for by-election boost

By David Housego in New Delhi

INDIA'S Congress party received a boost to its morale yesterday when it seemed certain of regaining a key parliamentary seat in a by-election in New Delhi.

Mr Rajesh Khanna, the Congress candidate and a star of Hindi films, seemed assured of a comfortable victory in a seat which Mr L K Advani, the Bharatiya Janata Party (BJP), leader had won in the general election last year. Mr Advani had to vacate the constituency because he took another seat in Gujarat.

The result comes at a time when Congress feels on the defensive both because of continuing high inflation and because of the Bombay stock

market scandal. It suggests, however, that Congress is still winning back voters who turned to the BJP in the last election out of weariness for the Congress party.

The Congress victory in New Delhi is part of a trend reflected in scattered local elections this year. Last month Congress defeated the BJP in municipal corporation elections in Simla - the capital of the Himalayan hill state where the BJP is in power. Congress in February also scored a strong victory over the BJP in municipal by-elections in Bombay in February.

The New Delhi by-election was one of two parliamentary constituencies for which voting took place on Monday. At the same time 13 state assembly seats were being contested.

## Japan's UN peace-keeping bill reaches its last stage

By Stefan Wagstyl in Tokyo

A CONTROVERSIAL bill to permit Japanese troops to join United Nations peace-keeping missions was due to enter its final stage of Diet deliberations today.

The bill was approved by the Diet's upper house early yesterday by a vote of 187 to 102 after filibustering by opposition parties forced the chamber to hold four exhausting all-night sessions. Although sometimes bordering on farce, the Diet's deliberations have highlighted the deep concerns evoked by the bill about a possible infringement of Japan's pacifist constitution.

The opposition Social Democratic party finally abandoned its delaying tactics out of consideration for the health of some of its elderly members and for public protests about wasting taxpayers' money. However, the smaller communist party continued filibustering to the bitter end.

Both parties have pledged to fight the bill when it returns to the lower house today for the deliberation of amendments. The lower house passed the original bill last December but it has since been watered down in a vain attempt to accommodate opposition party views.

The ruling Liberal Democratic party is confident that the bill will be passed before the Diet ends on June 21 even though opposition party officials vowed to block the measure. Party officials have threatened to call a general election if the legislation fails. It would be held at the same time as an election for upper house seats due in June.

The LDP often does well in such a "double election" because it has more money than the opposition so can more easily fund the extra campaigning. The opposition parties say they would welcome a general election in order to put the peace-

keeping forces bill to the people.

There is an element of bluff on both sides - some senior officials in both the LDP and opposition parties are against wasting valuable funds on an unnecessary double election.

The bill would allow the government to despatch 2,000 troops to serve on United Nations peace-keeping missions.

At the insistence of the opposition, Japanese participation will be limited to support roles.

Japanese servicemen will be allowed to carry out combat duties only if the Diet revises the bill on a future occasion. Even then, every des-

patch of troops would be subject to a Diet veto.

Meanwhile, the delays over the bill have placed in jeopardy the plans of Mr Michio Miyazawa, the prime minister, to attend the G8 summit in Rio de Janeiro. Mr Miyazawa, who was due to travel to Rio this week, may be unable to leave Tokyo if problems emerge in the lowerhouse.

Nor will Mr Michio Watanabe, the foreign minister, be able to deputise for the prime minister, either in Rio or in the Diet. Mr Watanabe has been rushed into hospital for emergency treatment for gall stones. See Editorial Comment



### RULING PARTY EXPECTS EASY WIN IN INDONESIAN ELECTION

INDONESIA'S President Suharto (above left) watches people queuing to vote yesterday in an election which his ruling Golkar party expects to be returned to power with a substantial majority. William Keeling reports from Jakarta.

Early reports suggested a high turnout of about 90 per cent, with preliminary results expected later today. There has been little violence.

Gen Try Sutrisno, the chief of armed forces, warned on Monday of "individuals and parties who want to turn back the clock" by preaching a Marxist ideology. About 500,000 people died in a bloody backlash following a failed communist coup d'état in 1965.

Gen Sutrisno denied that there would be manipulation in counting the vote, although government officials have con-

ceded an element of fraud in past elections.

In the last election in 1987, the Golkar party won 73 per cent of the vote. Opposition parties were expected to make only marginal gains yesterday.

Despite the overwhelming support for Golkar, some voters in Jakarta yesterday spoke of disillusion with the political process.

## Amnesty urges SA security forces curb

By Philip Gawlin in Johannesburg

PROSPECTS for a peaceful transition to democracy in South Africa will be seriously threatened if the government fails to intervene effectively and impartially to stop violence and curb security force excesses, says a study today by human rights group Amnesty International.

The 100 page report, "South Africa - State of Fear," provides a catalogue of security force involvement and complicity

in political killings over the past two years, noting that more than 7,000 people were victims of political violence between January 1990 and March 1992.

"There seems to be little relation between the politics of negotiations about the 'new South Africa' taking place at the national level and the cynicism, distrust and fear evident at the grassroots," the report says. It calls on the government "at the highest level to acknowledge publicly that extrajudicial executions, torture and

other grave human rights violations continue to be committed by members of the security forces and others acting apparently on their behalf or with their acquiescence."

Amnesty says the government should make it clear that all people responsible for such conduct will be brought to justice. Although it acknowledges abuses on all sides, Amnesty focuses on human rights violations committed by the government or its surrogates.

### PNG claims control over Bougainville

PAPUA NEW Guinea

yesterday claimed to have re-established central government control in 80 per cent of the secessionist island of Bougainville, which has been in rebel hands since police and army units withdrew in 1980, writes Kevin Brown in Sydney.

Mr Rabbie Namaliu, the prime minister, said the government expected to regain control of the remaining rebel areas in the Kista and Arava districts by the end of the year.

Military beachheads have been established recently on Buka Island, to the north of Bougainville, and at Siwal, in the south. However, Mr Namaliu said the re-establishment of government control in the remaining rebel-held areas would be achieved "by talking, not with the barrel of a gun."

He said Mr Francis Ona, leader of the rebel Bougainville Revolutionary Army, had requested a resumption of peace talks, which have been held intermittently over the past two years.

"I have said we are prepared to resume on the condition that secession is not included for discussion," Mr Namaliu said.

### ABB to run W Australia power plant

By Emilia Tagaza in Canberra

THE Swiss-Swedish group Asea Brown Boveri (ABB) has been commissioned to develop and operate an A\$2bn (\$300m) coal-fired power station in Western Australia.

The 600 MW plant in Collie in the state's south-west region will be the first big privately-funded and owned power station in Australia.

Much of the funding is due to be raised through the issue of special infrastructure bonds to be arranged by the consortium's financial adviser, Bankers Trust Australia. The bonds, which attract concessional tax rates, were introduced by the Commonwealth government in February to encourage private financing of large infrastructure projects.

The Collie plant was originally to have been developed by a syndicate led by Australia's Transfield Group and Japan's Mitsubishi Corporation. The Western Australia government awarded the mandate in October but withdrew it in April when Mitsubishi Transfield failed to raise funding at rates that would deliver its promised electricity prices.

### Libya details IRA links

LIBYA yesterday told a British official in Geneva about its links with the Provisional Irish Republican Army, Our Middle East staff reports.

Mr Edward Chaplin, the British chargé d'affaires, said: "I received some information, I'm transmitting it to London and we shall study it." Mr Abdul-Atti al-Obaidi, a former Libyan foreign minister who is now ambassador to Tunisia, headed

a four-man team at the meeting. He described the atmosphere as "very friendly".

British officials said they were still sceptical of Libyan intentions and pointed out that Tripoli had not complied with the central part of a United Nations resolution demanding that it must hand over two men accused in the bombing of a PanAm airliner over Scotland in 1988.

## Israel eases curbs on Palestinians in Gaza

By Hugh Carnegie in Jerusalem

ISRAELI yesterday partially relaxed tough new rules put into force on Monday restricting the number of Palestinians from the Gaza Strip allowed to work in Israel following protests from Israeli employers whose businesses were threatened by the regulations.

The hasty climbdown underscored the dilemma Gaza has posed the hardline Likud government as the June 23 general election approaches. It sealed Gaza to prevent a repeat of a

fatal stabbing of an Israeli schoolgirl near Tel Aviv, which led to furious protests over security policy. But Likud ideology also dictates that Gaza is an integral part of Israel and Israeli industries such as construction have come to depend heavily on cheap Gazan labour.

The Labour opposition argues that Israel cannot absorb Gaza and the West Bank, which should be allowed to develop as a separate entity.

Yesterday's regulations dropped the lower age limit for Gazans allowed to work in Israel to 25 from 28.

## Islamic murder awakes fears among Egyptian élite

By Tony Walker and Shahriz Idries in Cairo

EGYPT'S liberal élite has been stunned by the Muslim extremist assassination on Monday in Cairo of Dr Farag Foda, the prominent secularist writer and campaigner against fundamentalism.

Dr Foda was caught in a hail of bullets fired from an automatic rifle as he left his office in a Cairo suburb. He died later in hospital. One of his assailants was arrested.

Mohammed Sayed Ahmed, a columnist for the daily Al-Ahram, described the killing as "an extremely serious development".

He said that the threat of Muslim extremism in the country was

increasing "exponentially".

Dr Foda's assassination coincides with a government crackdown on Islamic extremists, and follows serious communal disturbances recently in towns south of Cairo between Muslims and Christians, in which 13 people were killed.

It also comes on the eve of another IMF-inspired round of price increases that are certain to fuel resentment among hard-pressed Egyptians as the long hot summer approaches.

Ms Hala Mustapha, an expert on Islam at the Al-Ahram Strategic Studies centre, described Dr Foda's slaying as "a terrible thing". An Egyptian had now been murdered for his "opinions".

"This is a dangerous tendency

because one used to say that those groups were in conflict with the government," she observed. "But now it is not so: they are targeting any kind of view which is contrary to theirs."

"This is without any doubt terrorism, an unprecedented incident that could threaten the whole society," she added. "This man could do nothing; he had no power; he was not a politician. All he had was his pen..."

The assassination in broad daylight of Dr Foda by young men claiming membership of Islamic Jihad (the same group responsible for the murder in 1981 of President Anwar Sadat) is almost certain to force the Egyptian authorities into a further review of their strategy in dealing

with Muslim extremism.

The government has been seeking to co-opt mainstream Islamic groups by presenting itself as a custodian of Islamic values, while at the same time cracking down hard on fringe Islamic groups such as the Jihad which advocate violence.

The banned but tolerated Muslim Brotherhood (Ikhwan) may also find itself under increased official pressure following the death of Dr Foda and indications recently that Islamic extremism is again on the rise in Egypt.

Mr Masroufa Rodeibi, the leader of the Ikhwan in Egypt's parliament, said yesterday his organisation "regretted" the incident, but blamed the government for allowing the pub-

lic media to be used to attack Islam.

"The position of the government in general and that of the government-run media in particular is responsible for such an incident," he declared. "The government-run media has its writers who attack Islam..."

Dr Foda, 47, was easily the most prominent among Egyptian critics of Islamic extremism, and last week advocated the enactment of a special law to deal with terrorism.

An unsuccessful candidate for Egypt's 1990 parliamentary elections, he declared in a campaign statement: "I'm fighting terrorism. I'm not fighting the people who pray, but I'm fighting the people who abandoned dialogue and who fight now with the Kalashnikov."

Japanese to US baseball team

Report cracks down on guerrillas



# Congress tries to kick deficit habit

By George Graham  
in Washington

CONGRESS will today begin debate on a last bulwark against the ever-spiralling US fiscal deficit: an amendment to the constitution to require the president and Congress to balance the budget.

Neither Republican President George Bush nor the Democratic majority in Congress has shown much appetite for taking the tough decisions necessary to comply with such a constitutional amendment, such as raising taxes or slashing spending.

Nevertheless, both Mr Bush and an improbable coalition of Democrats such as Senator Paul Simon of Illinois and Representative Charles Stenholm of Texas have joined forces to press for the amendment.

The balanced budget amendment has lost momentum in recent weeks as it encountered stubborn opposition from senior Democrats, led by Senator Robert Byrd of West Virginia.

Still, the measure has kept up a good head of steam and is thought to stand a fair chance of winning the required two-thirds majority in a House of Representatives vote expected tomorrow, even if it then faces a rougher ride in the Senate.

Senator Byrd likens the amendment to everybody's favourite granny: cute, but toothless. "You cannot gum the deficit to death," he told his colleagues.

If passed by the necessary majority in both houses, the amendment would need to be ratified by three-quarters of the US's 50 states to take effect.

The campaign for a balanced budget

amendment has won much of its support, particularly in the House, from legislators anxious to redeem themselves with voters who have expressed increasing disgust at Washington's apparent gridlock, as well as at members' exploitation of the liberal over-draft policies of their House bank.

But its backers have also tapped a national undercurrent of concern at the mounting national debt, which has quadrupled to more than \$4tn in the last decade.

The drive for a balanced budget amendment mirrors in some respects the appeal of Mr Ross Perot, the Texas billionaire who has built his still undeclared presidential campaign heavily on the need to tackle the deficit, and on Washington's inability to get the job done.

The budget deficit this year is expected to set a new record at \$400bn, or nearly 6.9 per cent of gross domestic product. Although this deficit would, on the administration's projections, fall in the mid-1990s as the cost of bank failures dwindles, it would start to rise again in 1997, both in cash terms and as a proportion of GDP.

Net interest this year is estimated by the Congressional Budget Office at \$201bn, more than 18 per cent of total tax revenue.

Last week, Mr Bush threw his weight behind the amendment in a news conference. But he and the amendment's congressional backers look rather like alcoholics begging their friends to take away the whisky bottle, while simultaneously trying to hold on to their jobs as barmen.

## Russia and US fail to agree on N-arms cut

By George Graham

RUSSIA and the US yesterday failed to reach agreement on a pact for further steep cuts in their nuclear arsenals, but said they still hoped to bridge the gap in time for next week's summit meeting between Presidents George Bush and Boris Yeltsin.

Mr James Baker, US secretary of state, said he had been unable to agree with Mr Andrei Kozyrev, his Russian counterpart, on either the number or the types of nuclear weapons that should be cut, or on the timing of these cuts.

Mr Kozyrev said, however, he was "sure we will be able to arrive at closure".

Both sides agree on the principle of extending the arms cuts set by last year's Strategic Arms Reduction Treaty (START), although they differ on detail.

"I think there's a genuine recognition on the part of both countries that we ought to reduce the levels of these weapons, in light of the new political environment, as substantially and quickly as possible," Mr Baker said.

Russia appears close to accepting a US proposal for a reduction to 4,700 warheads, but not the elimination of land-based multiple-warhead missiles, which make up a greater proportion of its nuclear force than that of the predominantly submarine-based US arsenal.

Some disarmament specialists fear that the Bush administration may be jeopardising its chances of winning steep cuts in the Russian missile force by its insistence on eliminating land-based multiple warhead missiles, such as the 10-warhead SS-18, which will already be halved under the terms of START.

## Japanese to buy US baseball team

A JAPANESE-led consortium was yesterday given approval to buy the troubled Seattle Mariners baseball team, marking the first time the sport has permitted non-North American ownership of a big league club, writes Martin Dickson in New York.

A committee of owners of the big league teams recommended the consortium's \$100m offer be allowed to proceed. The 26 teams which make up the league are expected to give final approval today.

The purchasers, who include a large number of local Seattle figures, are led by Japan's Yamachi family, founders of the Nintendo video game company which has its North American headquarters in the Seattle area.

The offer stirred up latent anti-Japanese sentiment in the US and the consortium had to alter significantly its proposals to meet the baseball owners' concerns over foreign involvement.

Mr Fay Vincent, the baseball commissioner, said yesterday the Yamachi family's role in running the team would be limited, consisting of "the power to approve certain transactions in the realm of extraordinary events".

## Fujimori cracks down on guerrillas

PRESIDENT Alberto Fujimori of Peru has announced a series of tough measures aimed at cracking down on a wave of guerrilla violence, including a 10 pm-5 am restriction on the circulation of private vehicles, Reuters reports from Lima.

"It is a prohibition of circulation of vehicles, not people. Factories will not be affected," Mr Fujimori said.



Ross Perot: his populism is wowing the electorate from California to the Carolinas, but not finance chiefs

## Big business not big on Perot

Critics, says Martin Dickson, worry about personal qualities

THEY WERE only throw-away answers to a hypothetical question, but they pointed up a distinct lack of enthusiasm within American big business for Texas billionaire Ross Perot's putative presidential candidacy.

Executives from leading US companies at a conference in Virginia were asked what they would say to the independent Perot, one of the country's most successful entrepreneurs, if he won November's election and asked them for advice.

"Resign," shot back Mr Howard Allen, former chief executive of Southern California Edison, one of the nation's largest producers of electricity. The response of Mr Robert Allen, chairman of American Telephone & Telegraph, was more guarded but still barbed: "It would be refreshing," he said, "to hear Ross ask for some advice."

Mr Perot's populism may be wowing the electorate from California to the Carolinas and picking up support from small business, but the nation's big companies are sticking firmly to their traditional backing of the Republican party, which means supporting President George Bush.

A recent poll of 116 chief executives by Fortune magazine found that 78 per cent would vote to return Mr Bush to the White House, with a mere 11 per cent favouring Mr Perot and 4 per cent Arkansas Governor Bill Clinton, the Democratic party's candidate.

At first glance this might seem surprising, given that US businessmen often grumble that one of their number could surely do better than professional politicians in breaking through Washington's habitual policy-making gridlock. Indeed, Fortune found that 65 per cent of respondents felt a business executive would make a good president.

But many believe that Mr Perot is singularly lacking in the personal qualities needed

to negotiate a path through the capital's warring interest groups and entrenched bureaucracy. They acknowledge that Mr Perot is a brilliant salesman (which would come in handy wowing voters in congress) and that he has shown throughout his career the rare ability to cut to the heart of complex issues, take rapid and decisive action, and elicit extraordinary personal loyalty.

On the other hand, they worry about his reputation for dictatorial business behaviour, for reducing arguments to overly simplified black-and-white, and for deciding on a course while refusing to listen to contrary advice.

This mix of qualities may have been vital to his success: his single-minded drive and self-confidence was certainly there when he quit as a top salesman for International Business Machines in the early 1960s and founded Electronic Data Systems (EDS), the computer services group which made his fortune. However, his critics argue that the qualities of a successful entrepreneur are not necessarily those

of executives across the spectrum of the US electronics industry.

Mr Perot's appeal to electronics executives is not surprising, as he is regarded in the industry as one of its own "self-made men".

He is viewed as an entrepreneur who ploughed some of his wealth back into the industry through investments in start-up companies such as Next Computer, led by Mr Steve Jobs, the co-founder of Apple Computer.

Mr Perot's tough line on Japanese trade is also well received in the electronics industry. His call for a "level playing field" echoes the sentiments of US semiconductor and computer industry executives.

needed to run a huge corporate bureaucracy, let alone a government machine which sees politicians come and go and which has countless ways to frustrate commands.

"Politics requires compromise, and nothing in Perot's background suggests he is prepared to do that," said a leading Wall Street figure who asked not to be named. "He's shown no evidence of being able to handle people who do not share his views. I don't think he's a very good president."

There are businessmen who believe Mr Perot's qualities are exactly what is needed in Washington: Mr Alan "Ace" Greenberg, chairman of investment bank Bear Stearns, says: "I've known Ross for 10 years. I like him. I think he's brilliant. He's who I want for president."

But many critics home in on Mr Perot's battle with General Motors - the closest thing to a government bureaucracy that you will find in US business - as an example of the problems he would face in the White House.

After selling EDS to GM, Mr

Perot joined the motor company's board and tried to help stem its long decline in the face of Japanese competition. He quickly and acutely identified many of the company's problems but then antagonised much of middle and senior management with his blunt exposition of their errors, while failing to rally his boardroom colleagues to his cause.

A frustrated Mr Perot was ousted off the board, and GM deferred many fundamental reforms until its non-executive directors staged a more subtle boardroom revolt.

Personal qualities apart, many top businessmen say it is hard to judge Mr Perot's candidacy until he starts giving a clear idea of where he stands on policy. "All he's done so far is make some general statements it is hard to disagree with," one chairman points out.

None of this is likely to worry the iconoclastic Perot, who often makes clear his contempt for corporate bureaucrats and chief executives with "their blow-dried hair, their \$3,000 suits and their 23-year-old trophy wives". Last week he dismissed US big business as part of the establishment and said that the future lay with small business which, he said, was at the moment being starved of credit.

Anecdotal evidence suggests that small business views Mr Perot as a role model and enthusiastically supports his candidacy.

Mr Todd Mason, author of an unauthorised biography of Mr Perot, points out that he has frequently timed important events in his life - marriage, the founding of EDS, his sale - to occur on his birthday, June 27.

It is conceivable he will use the occasion, now only about two weeks away, to announce his formal candidacy. However, if he does, not many top businessmen are likely to send congratulations.

## Decision leaves US isolated at Earth Summit

## UK attaches conditions to biodiversity treaty

By Alison Smith in London,  
David Lascelles in Rio de Janeiro and George Graham in Washington

THE UK is to sign the Earth Summit's convention on biological diversity, or species protection, but with a declaration on its own interpretation of the question of financial commitments, Prime Minister John Major said yesterday.

In a written statement at Westminster, Mr Major told MPs that signing the convention would be subject to "satisfactory arrangements that take full account of our concern about financial commitments".

His comment that it would provide "an initial step in protecting natural habitats and the range of species throughout the world" was less enthusiastic than the comments about the climate change con-

vention which the UK has joined other European Community members in urging other countries to sign.

The UK's decision to sign leaves the US as the only significant country refusing to initial the treaty, with no change in its position in view. Japan, which also had worries, is expected to sign.

US administration officials said they saw no hope of winning changes to the biodiversity convention that would persuade them to sign.

They said the convention's provisions on intellectual property would undo two years of express negotiations on the same subject in the Uruguay Round of the General Agreement on Tariffs and Trade.

The UK's worries centred on the possibility that aid commitments to developing countries contained in the treaty could

amount to richer countries signing a blank cheque. However, Mr Michael Howard, the UK environment secretary, said in Rio: "We believe we have found a way round these difficulties."

The US also repeated yesterday that it had problems with the Rio Declaration, the summit centrepiece due to be signed by all leaders on Saturday. The US said it might not subscribe to this statement of environmental principles.

Side declarations have provided a useful way out for countries which want to sign the treaties, but need to express reservations. The EC countries announced yesterday they would make an accompanying statement to the climate change convention which restates their determination to reduce carbon emissions to their 1990 levels by 2000.

## British business left in the cold

By David Lascelles and Christina Lamb

BRITISH businessmen hoping to promote their wares at the Earth Summit in Rio de Janeiro are grumbling about lack of support from the UK government. A band of exporters have put up their stalls 300 miles from Rio in São Paulo, Brazil's commercial capital, which is staging an exhibition of environmental technology.

Talk that Mr John Major, the British premier, might pop in has fallen through. Downing Street thought he should spend time on the way to Brazil talking to Colombians about drug control; Mr Michael Howard, the environment secretary, would go to São Paulo instead. Now he has cancelled as well, because of negotiations in Rio.

So Britain's gallant few had to do with Mr David Maclean, the environment minister, who slipped into São Paulo for a few hours on his way home to London yesterday. The Germans, by contrast, will be visited today by Chancellor Helmut Kohl. "Typical," mutters a disgruntled Brit.

Everyone is relying on Japan to provide the money and technology to implement the summit treaties. But it is the great polluters, the Chinese, that are bringing a smile to the faces of delegates.

Chen Wen Yi, an enterprising Chinese immigrant, has set up a flower shop inside the conference centre from which he is distributing red roses free. "For people to save the planet it is important that they are happy," he explains.

Mr John Major will be met by a sleek green Jaguar when he arrives in Rio tonight. He may never know how close he was to hitching a lift.

Brazil, still one of the world's most protected economies, only recently allowed the importation of cars, and no suitable British vehicle was available in the country. The closest armoured-plated car was in Georgetown, British Guyana, and had to be shipped down the coast, suffering considerable damage en route.

Until a few days ago the Jaguar was in pieces in a mechanic's shop in Rio waiting for new parts - including a bullet-proof windscreen - to be flown in. Mr Brian Brown, the mechanic and a British former naval engineer, had to postpone leaving Brazil to finish the task.

By David Lascelles,  
Resources Editor

AS THE Earth Summit runs into its final days, there is no doubt as to what is the crunch issue: money. Everyone agrees that billions of dollars of aid will be needed to make the summit agreements effective because most of the clean-up work is in the Third World. But who will provide it, and on what terms?

Government officials were engaged in a hectic round of meetings yesterday to try and resolve the wide disagreements at the Rioconfer. If they fail, the matter will be put before ministers today. And if they fail too, it will be up to heads of state to find an answer when they convene on Friday.

The main points at issue are: ● how much money will be made available; ● how big a long term commitment will the rich countries make; ● how it will be provided.

The UN estimated that \$250bn a year would be needed by Third World countries, of which they would have to provide \$500bn themselves. The remaining \$150bn would come from existing \$50bn of aid plus \$100bn in new money. This last sum is what all the wrangling is about. Industrial countries have agreed in principle to advance "new and additional funds" - but in nothing like the numbers being suggested.

Mr Mahbubul Haq, the former Pakistani finance minister and now a UN adviser, argues that the industrial countries will have a "peace dividend" of \$1.2 trillion over the next 10 years which could be re-channelled into the environment. Alternatively a carbon tax of \$1 per barrel would raise \$40bn. But, he complains: "Most of what we're talking about here is small change."

The G7 industrialised countries had hoped to leave Rio without having to make hard and fast commitments, but the build-up of political pressure is now such that they will have to put hard money on the table.

The best estimate at the moment is that they will come up with between \$50n and \$100n, but much will depend on Japan which seems keen to display its green credentials.

Japan's foreign aid currently runs at about \$11bn a year. It has also spent just over \$2bn on environmental aid since 1990. Japanese officials are suggesting that the total foreign aid sum might be increased by 50-75 per cent, with a larger chunk being allocated to the environment. However, a senior Japanese official says: "It's still a fight between the Foreign Ministry and the Finance Ministry."

The other big demand is that the developed countries commit themselves to channelling 0.7 per cent of their GNP into aid. This is almost double the proportion most countries give in aid, although some smaller European countries are at that level.

The Group of 77 developing countries want the developed countries to commit themselves to reaching that level by the year 2000, but the G7 say that is out of the question. There does not, therefore, seem to be any chance of their making a long term aid commitment in Rio.

As for the means by which aid will be advanced, the developing countries have been demanding a multi-billion dollar "green fund". However the donor countries have insisted that any aid linked to the

Members of Europe's leading non-governmental organisations (NGOs) last night met European environment ministers at the summit to call for stronger action on forest destruction and a commitment to work towards a worldwide forest convention, reports Christina Lamb in Rio de Janeiro.

Forests, are one of the most contentious issues of the summit, and there has been little progress on bridging the north-south divide on the subject. With only one day of working group discussions left it seems unlikely there will be any agreement on deforestation which is continuing at a rate of 17m hectares a year.

Mr Andrew Lees from Friends of the Earth said there was a danger the summit was losing sight of vital environmental problems because so much was being negotiated simultaneously in Rio. Forest devastation was continuing "unhindered" in the meantime.

A convention had to be dropped long before the summit and replaced by a non-binding declaration of forest principles which says little other than that forests should be conserved and managed sustainably. Even this is causing controversy at the conference with developing countries, led by Malaysia, seeing it as an infringement of their sovereignty.

Earth Summit treaties be channelled through the Global Environmental Facility administered by the UN and the World Bank. However they have agreed to make the GEF more "democratic" by giving recipient countries a greater say in how its money is spent.

The money issue is being thrashed out in a contact group headed by Mr Rubens Ricupero, the Brazilian ambassador to Washington. He put forward a working paper to try and forge agreement. This proposed what Mr Ricupero called "a system" of financing that would draw on all existing aid channels, regional development banks, the GEF and UN agencies, as well as special measures like debt relief and private investment.

The paper deliberately avoids hard money numbers. The only proposal containing actual numbers that has so far been put forward is the EC's. France has suggested that the EC commit Ecu3bn (\$3.4bn) over the next three to five years for environmental aid. This would be in addition to whatever sums member states pledge individually.

Mr Ricupero says he is hoping donors will commit themselves to "orders of magnitude". One western official estimated that the measures would imply aid of \$80n to \$90n.

His initiative has made virtually no progress, however. His paper was first denounced as favouring the rich countries. He then amended it only to be presented by the G77 developing countries with a demand for over 40 changes, described by one western official as a "wish list". This suggests that the two sides are even further apart than before.

In particular, the G77 insisted on the 0.7 per cent commitment. Since the industrial countries are saying "no way" to this, the two sides are at an impasse. Over the next 48 hours, the money issue could well reach crisis levels, and it is hard at the moment to see where the areas of compromise might lie.



Pérez: struggling to cover deficit

## Venezuela pledge on Brady accord

By Joe Mann in Caracas

VENEZUELA says it intends to seek new financing terms for about \$700m of external government debt not included in a general debt restructuring agreement signed in 1990, but is not seeking to renegotiate the accord.

This week's announcement by Mr Pedro Rosas, finance minister, came after Venezuelan newspapers quoted a congressman and other figures as saying that the government should consider renegotiating its \$19.8bn of restructured debt. Mr Rosas denied that the government intended to renegotiate the debt rescheduled in the 1990 Brady accord, which con-

sists principally of marketable bonds. The government, facing a large fiscal deficit this year, plans to reschedule about 500m bolivars (\$700m at the current exchange rate) in non-restructured foreign government debt, scheduled to mature this year and next year.

The debt comprised mostly supplier credits and commercial paper to finance military purchases, Mr Rosas said. Some internal government debt will also be refinanced.

The minister added that interest payments were being made "normally" on both restructured and non-restructured debt.

The government of President Carlos Andrés Pérez, immersed in a political

crisis since a coup attempt in February, is struggling to cover a large fiscal deficit caused mainly by weak prices for its main export, petroleum.

The government, however, still has a strong reserve position. International monetary reserves in mid-May stood at more than \$13bn, about the same as at the end of 1991.

According to official figures, Venezuela's total external public debt stood at \$26.5bn at end-1991, up slightly on the year. Interest and principal payments on external debt last year totalled about \$2.2bn. The government also allotted \$245.5m to debt repurchases and \$329.8m for debt-equity swaps in 1991.



## NEWS: UK

# BT told to cut prices or face monopolies probe

By Hugo Dixon

BT, the telecommunications group, was told yesterday to accept a tough new regime for controlling its prices or face investigation by the Monopolies and Mergers Commission.

Ofcom, the telecommunications regulator, proposed that BT should be forced to cut the average level of its prices by 7.5 percentage points below the rate of inflation, compared with 6.25 at present.

Given the current level of inflation at 4.3 per cent, this would mean that many customers would receive cuts in their phone bills.

In order to help small customers, connection charges would be cut to £99 from the present £152.75 and a more generous scheme would be introduced for those who use the phone infrequently. BT, which also wanted to increase line rental charges by 8 points more than inflation annually, would only be allowed to increase them by 2 points.

In making its proposals,

Ofcom is seeking to ensure that residential customers share the benefits of price cuts. It also wants to help the company's rivals compete against it.

The overall package, which is harsher on BT than expected, is the last testament of Sir Bryan Carsberg before he leaves his post as director general of Ofcom at the end of this week to head the Office of Fair Trading.

The proposals have been strongly influenced by widespread criticism that BT's profits - £3.07bn in the last financial year - are excessive and that residential customers have received a poor deal since the company was privatised in 1984. Even so, business customers would still be the main beneficiaries of the regime, seeing their bills fall by about 10 percentage points below inflation each year.

The average residential customer would receive a 3 per cent cut in real terms.

The tougher regime, which would start next year, is expected by Ofcom to cut BT's profit-

ability - as measured by return on capital employed - from about 22 per cent in the last financial year to 16.5-18.5 per cent over four years.

BT said the proposals were "harsher than we expected and raise some serious business issues which will take time for us to evaluate". Privately, executives are accusing Ofcom of gross interference in its business.

User groups welcomed the regime but said BT should also have been forced to hand back "excess profits" to customers by making a one-off cut in prices.

BT has been given two weeks to respond. If it refuses to accept the regime, it will be referred to the Monopolies and Mergers Commission, which could impose a solution.

Mercury, BT's main rival, welcomed the proposals, saying they would allow it to compete more effectively.

In the City, BT's shares fell 8p to 354p.

See Page 14

## Four guilty in insider dealing case

By Raymond Hughes, Law Courts Correspondent

BRITAIN'S biggest insider dealing prosecution ended yesterday with the conviction of four former employees of financial institutions at the Old Bailey in London.

Sentencing the four, Judge Laughton condemned the "web of illegality" which prompted the trial and a government investigation which is understood to have cost about £550,000.

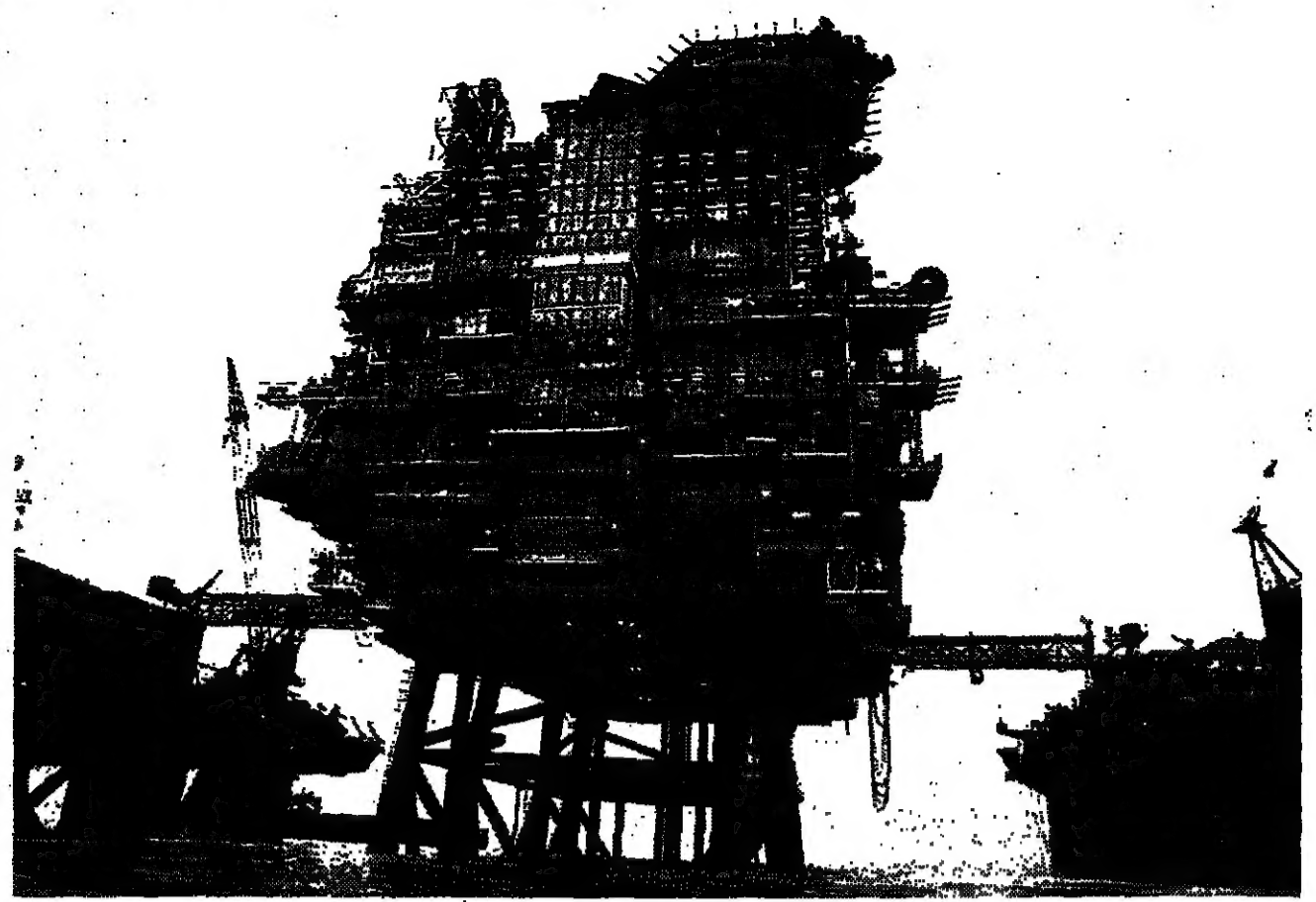
Mr David Gray, former stockbroker with Morgan Grenfell Securities, was given concurrent six months prison sentences, suspended for two years, and fined £5,000, on each of two convictions of dealing using price sensitive information. He was conditionally discharged for 12 months on each of five charges of communicating information, to four of which he had pleaded guilty. He was ordered to pay £10,000 towards prosecution costs.

Mr William Higgins, a former Lazard fund manager, was fined £5,000 on a dealing charge, conditionally discharged for 12 months on a communicating charge and ordered to pay £5,000 costs.

Miss Catherine Rowlands, formerly in the corporate finance department at Samuel Montagu, was given a 12-month conditional discharge for a communicating offence and ordered to pay £2,000 costs.

Mr Mark Riding, former fund manager with the Co-operative Insurance Society, convicted on two dealing charges, was fined £10,000, with £5,000 costs.

The offences related to take-over bids in 1988 when Hawthorn Leslie Group, the USM-quoted cellular phone company, acquired ECT Cellular and London Car Telephones, and Goodman Fielder Wattle, an Australian company, made a bid, which lapsed, for Rank Hovis McDougall, UK foods group.



Rigs to riches: petrol prices are set to reach a record as Esso and Shell today add 4.5p to the price of a gallon. Their new benchmark price of 245p for a gallon of 4-star surpasses the high set during the Gulf war. BP Oil, Mobil and Texaco are considering their position. Maximum prices for Esso and Shell petrol will be 245p a gallon for 4-star (53.9p a litre), 225p a gallon for unleaded and 234.1p a gallon for superplus unleaded. BP's Miller Field (above), 160 miles north-east of Aberdeen, began oil production on Monday. Oil production is set to peak at 113,000 barrels a day with gas production scheduled to start next month.

## Investment regulators set to clash

By John Authors

THE TREASURY may be called on to settle a dispute between regulators following the publication by the Office of Fair Trading (OFT) of two reports which criticise the regulation of retail investments.

The reports found that there were "market failures" in financial services, due to public ignorance and the commissions paid to intermediaries.

One report said: "A commission-based remuneration system poses substantial conflicts of interest for intermediaries and can have a deleterious effect on the type of product a consumer is advised to buy,

and for independent financial advisers, also on the company from which that product is bought."

It also criticised the scope of retail regulation, and the fact that building societies, unlike insurance and other investment products, are not regulated under the Financial Services Act.

If the OFT accepts the reports, Sir Gordon Borrie, Director General of Fair Trading, would be brought into direct conflict with the Securities and Investments Board, which regulates most of the financial services industry. Mr Norman Lamont, chancellor of the exchequer, would make a

final decision. The OFT stressed the reports were aimed at "stimulating discussion" and did not commit the office to the recommendations.

The SIB announced last month that it had decided not to force independent financial advisers to reveal the commissions they received from investment companies in cash terms at point of sale. It also allowed life companies to quote illustrations for potential buyers on the assumption that their costs were in line with the industry average - even if their expenses were in fact much higher.

Both decisions were attacked in the OFT reports.

## UK producer prices show lowest rise for five years

By Emma Tucker, Economics Staff

THE PRICES of manufactured goods leaving Britain's factories rose by 3.6 per cent in the year to May, the lowest annual rate of increase for five years.

The producer prices index, often taken as a measure of core inflation, rose 0.1 per cent on the month compared with a 0.4 per cent monthly rise in April, supporting government hopes that upward pressure on prices will continue to ease.

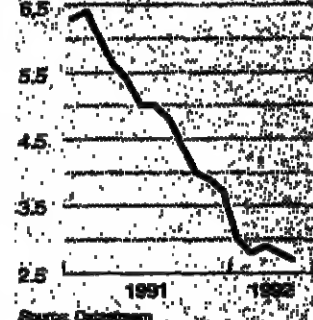
Further evidence of the disinflationary momentum in the UK economy came from the rise in the index excluding volatile food, drink and tobacco prices. This rose by 0.3 per cent in May compared with the previous month, bringing the year-on-year rate of change to 2.7 per cent, the lowest since June 1987.

Producer price inflation has been falling steadily - bar a

### UK Producer Prices Index

Excluding food, drink & tobacco

Year on year % change



Source: Economist

couple of upward monthly blips - since a peak of 6.2 per cent in April 1991. It remained above 4 per cent for the first three months of this year, dropping to 3.8 per cent in April.

The latest figures are likely to cool recent worries that underlying inflationary pres-

ures in the economy are proving difficult to squish.

The prices of raw materials and fuels used by manufacturing industry rose a seasonally adjusted 0.1 per cent last month.

Non-seasonally adjusted input prices fell by 0.1 per cent on the month and by 0.9 per cent compared with the same month a year ago, reflecting depressed commodity prices.

The Treasury said the figures provided further evidence that underlying inflationary pressures were weak.

"We are on course to meet the Budget forecast that output price inflation excluding food, drink and tobacco will fall to 2 per cent in the final quarter of 1992," said the Treasury.

On Friday, the retail price index - the headline inflation figure - is expected to show a slight rise from April's 4.3 per cent before resuming a downward path later in the year.

## Interest rates may fall below German levels

PROFESSOR Mervyn King, the Bank of England chief economist, yesterday suggested members of the European exchange rate mechanism could bring interest rates below German levels, writes Peter Norman.

In remarks bound to fuel hopes of further cuts in UK base rates, he said: "There is no reason to suppose that D-mark interest rates necessarily represent the floor for short-term interest rates."

Giving a lecture in Rome, Prof King said it was a mistake to blame Germany for high interest rates in Europe. Other EMS countries had maintained unchanged policies against the D-mark after German unification. "Monetary constraints on countries other than Germany have, therefore, largely been self-imposed in order to increase credibility in the long-term commitment of ERM countries to price stability," he said.

## MONTEDISON

### Notice of a General Meeting of Shareholders

Shareholders of Montedison S.p.A. are hereby convened to attend an Ordinary General Meeting of shareholders, to be held at Foro Buonaparte 31, Milan on June 25, 1992 at 10.30 A.M. (first call), and if needed, on June 26, 1992 (second call), same time and place, in order to discuss and vote upon the following items on the agenda:

- 1- Reports by the Board of Directors and Statutory Auditors on the financial year 1991;
- 2- Accounts for the financial year 1991;
- 3- Election of Directors;
- 4- Election of Statutory Auditors and determination of their compensation;
- 5- Resolutions relating to and required by the above items.

At the General Meeting, moreover, the consolidated Financial Statements at December 31, 1991 will be presented. Shareholders are entitled to attend the General Meeting if, at least five days prior to the General Meeting (excluding from the computation the day of the General Meeting), they have deposited their share certificates at the Company's registered office or at one of the following financial institutions:

#### In Italy:

Monte Titoli (for certificates deposited with the same), Credito Italiano, Banca Commerciale Italiana, Banco di Roma, Banca Nazionale del Lavoro, Banco di Napoli, Banco di Sicilia, Istituto Bancario San Paolo di Torino, Monte dei Paschi di Siena, Banco Ambrosiano Veneto, Banca Fideuram, Banca Mercantile Italiana, Banca Nazionale dell'Agricoltura, Banca Popolare di Bergamo, Banca Popolare di Milano, Banca Popolare di Novara, Banca Provinciale Lombarda, Banca Toscana, Banco di Santo Spirito - Gruppo Cassa di Risparmio di Roma, Banco Lariano, Cassa di Risparmio delle Province Lombarde, Cassa di Risparmio di Torino, Credito Commerciale, Credito Romagnolo, Credito Varesino.

#### Abroad (by appointment of Italian banks according to the law):

##### In Switzerland:

Société de Banque Suisse - Basel and Zurich, Crédit Suisse - Zurich, Union de Banques Suisses - Zurich, Hentsch & Cie - Geneva, Banca della Svizzera Italiana - Lugano, Banco di Roma per la Svizzera - Lugano.

##### In France:

Banque Nationale de Paris, Crédit Lyonnais, Banque Indosuez, Banque Louis Dreyfus - Paris.

##### In Great Britain:

Hamilton Bank Ltd., Morgan Guaranty Trust Co. - London.

##### In Belgium:

Banque Bruxelles Lambert, Kredietbank, Générale Bank - Brussels - Kredietbank S.A. - Luxembourggoise - Luxembourg.

##### In Germany:

Deutsche Bank, Dresdner Bank, Berliner Handels- und Frankfurter Bank - Frankfurt am Main.

##### In The Netherlands:

Amsterdam Rotterdam Bank N.V. - Amsterdam and Rotterdam.

##### In the U.S.A.:

Citibank N.A., Morgan Guaranty Trust Co. - New York.

On behalf of the Board of Directors  
Giuseppe Garofano  
Chairman

THE COMPANY'S FINANCIAL STATEMENTS TO BE APPROVED AT THE MEETING ARE AVAILABLE, UPON REQUEST, FROM THE FOLLOWING LOCATIONS:

- MONTEDISON S.p.A., Foro Buonaparte 31, 20121 Milano (Italy)  
Attention Mr. G.C. Scaramelli (tel. 2.6270.5061)
- MONTEDISON USA INC., 1114 Avenue of Americas, New York, N.Y. 10036 (U.S.A.)  
Attention Ms. B. Alessio (tel. 212.997.7000)

### PROCEDURES TO BE FOLLOWED BY FOREIGN SHAREHOLDERS:

#### (a) Shareholders wishing to attend

must request in writing or by telex that the bank where their shares are deposited issue an admission ticket, if that bank is one of Montedison's above-listed depositary banks; if the bank where their shares are deposited is not one of Montedison's depositary banks, they must request that bank to contact one of the depositary banks so that an admission ticket can be issued. All admission tickets must be issued at least five days before the General Meeting.

#### (b) Shareholders wishing to vote by proxy

may appoint a proxy only after depositing their shares and receiving the admission ticket in accordance with the procedures described in (a), above. Proxies are to be in writing and cannot be issued to banks, members of the Board of Directors, Statutory Auditors and employees of Montedison and its subsidiaries.

Please Note: Shareholders may contact the foreign branches of the above-listed Italian depositary banks to expedite these procedures.

MONTEDISON S.p.A. - Registered Office in Milan at Foro Buonaparte, 31  
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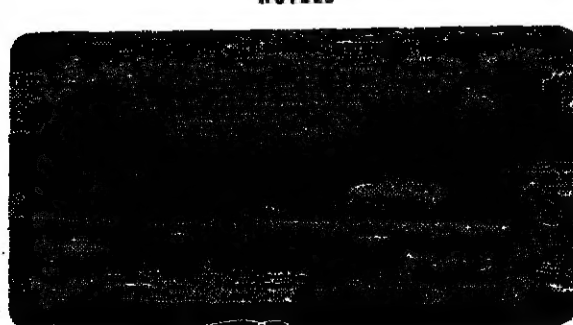
Closing date Stage 1 - July 27th 1992.

#### Further information:

Robert Maguire,  
Victor Hausner & Associates  
122-128 Arlington Road, London, NW1 7HP,  
United Kingdom.  
Telephone: 071-284 2232.

or Nick Whipp,  
Grimley JR Eve  
9 St James's Square, Manchester, M2 6DN,  
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# Industry Initiatives for Environmental Conservation



## Mazda Environmental Action

Few challenges are more pressing than the current problems found in the environment. These challenges place all of us at a crossroad. The question that all of us must confront is how we will solve these problems and by what means. It is a chance for all of us to work together to save our shared home.

Conserving the global environment is not only part of our corporate philosophy, but, we also see it as our responsibility as members of the global community.

The time has come for a united effort to preserve the environment for the future. The London symposium, which is a part of "MAZDA Environmental Action," represents a chance to secure our collective future.

MAZDA is honoured to provide a forum through which environmental issues can be discussed by a panel of experts.

### LONDON SYMPOSIUM

THEME: INDUSTRY INITIATIVES FOR ENVIRONMENTAL CONSERVATION

HELD BY: THE FINANCIAL TIMES AND THE CONSERVATION FOUNDATION

IN PARTNERSHIP WITH: MAZDA MOTOR CORPORATION

DATE: JUNE 30, 1992

TIME: 12:00 — 5:30

LOCATION: QUEEN ELIZABETH II CONFERENCE CENTRE

INTERVIEWS/SPEECHES: BRITISH GOVERNMENT REPRESENTATIVE

EUROPEAN GOVERNMENT REPRESENTATIVE

KEYNOTE SPEAKERS: PROFESSOR DAVID BELLAMY

(DIRECTOR - CONSERVATION FOUNDATION)

DR. LESTER R. BROWN

(PRESIDENT - WORLDWATCH INSTITUTE)

PANELISTS:

DR. BERND VON DROSTE

(DIRECTOR, DIVISION OF ECOLOGICAL SCIENCES UNESCO)

MR. MICHINORI YAMANOUCHI

(SENIOR MANAGING DIRECTOR - MAZDA)

ICI REPRESENTATIVE

(OTHER SPEAKERS WILL JOIN THE PANEL DISCUSSION)

THERE WILL BE A RECEPTION HELD FOR THE SPEAKERS AND AUDIENCE AFTER THE SYMPOSIUM

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## NEWS: UK

## MGN pensioners attack City firms

By Norma Cohen,  
Investments Correspondent

TWO City firms should have suspected in the year before Robert Maxwell's death that they were aiding in the disappearance of securities under their control, according to a High Court writ.

In spite of that, the writ alleges, the firms failed to inform either pension fund trustees or regulators about these matters. In the interim, the securities were used as collateral for loans to Maxwell's private interests. The writ, filed last week, seeks £88m (£100m) from the fund managers as well as from Lehman Brothers and Credit Suisse, two investment banks which received the securities allegedly stolen from the MGN pension scheme.

The writ, from the present trustees of the Mirror Group Newspapers pension scheme, alleges that Invesco MIM and Capel-Cure Myers (CCM), failed to alert either pension fund trustees or regulators. Instead, they sought assurances from the people who gave the instructions that their activities were proper, the writ says.

The two fund managers were

allegedly told to hand over the pension scheme's shares portfolio to two other Maxwell-owned fund managers to be used for what was described as stock lending. The writ alleges the fund managers acted on instructions from people with no authority.

The document claims that, as early as October 18 1990, MIM must have had suspicions about the stock lending it was being asked to undertake because it wrote to London and Bishopsgate International

Investment Management (LBI) asking to be released from all responsibility for the securities while they were in LBI's care. The writ says that, on October 26, MIM's suspicions should have been further aroused because it learnt that loaned securities, originally made out in favour of Bishopsgate Investment Management (another Maxwell fund manager), had been returned without being made out in the name of the borrower, as is the usual practice. The writ says:

"The plaintiff will contend that MIM knew at all material times after October 26 1990 that legitimate stock lending was not being undertaken by LBI or LBI and that therefore the delivered MIM portfolio was at risk."

On October 8 1990, CCM was allegedly instructed by LBI and LBI to deliver a portfolio of stocks directly to Lehman Brothers. The writ says because conventional stock lending must be conducted through recognised money bro-

kers, CCM should have been suspicious. It says: "CCM was aware that the delivery of the delivered CCM portfolio to Lehman was to be used as loan collateral which was plainly an improper purpose..."

Lehman Brothers said it accepted the securities in good faith and intended to contest the writ. Invesco MIM said it believed at all times it was following instructions of all the MGN pension scheme trustees. The other two firms declined to comment.

## Officials delayed inquiry to hear SFO advice

THE appointment of Department of Trade and Industry inspectors was delayed until the Serious Fraud Office (SFO) told officials of the direction its inquiry was taking into the Maxwell affair, it emerged yesterday.

It was not until two weeks ago - seven months after Mr Robert Maxwell died - that Mr Michael Heseltine, trade and industry secretary, decided the time was right, writes Ralph Atkins.

The decision followed a meeting attended by Mr Heseltine, Mr Vivian Brown, head of the DTI's investigations division, and Mr Neil Hamilton, corporate affairs minister, where they considered a proposal for action prepared by officials.

The proposal said SFO inquiries would

not encompass the extent to which company law may have been breached during the flotation of Mirror Group Newspapers in May 1991. That justified appointing DTI inspectors.

An announcement was delayed to coincide with the Department of Social Security announcement on Monday of a independent review of pension law - part of the value of launching an investigation, particularly when political pressure is growing at Westminster, is the impression given of a government acting on as many fronts as possible.

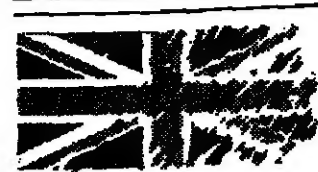
The DTI's investigations division had been anxious to build its case carefully. Officials were concerned about the cost of appointing inspectors can involve mil-

lions of pounds - and the consequences of a wrong decision both for the company and for the DTI's reputation.

The official argument until this week - including under the tenure of Mr Peter Lilley, former trade and industry secretary - was that there was no point in the DTI organising an investigation that might clash with that of the SFO.

DTI officials meet the SFO formally four times a year, but are in closer contact informally. The timing of the appointment of DTI inspectors into the Maxwell affair was - according to insiders - not a question of Mr Heseltine shaking the department into action. The argument being spread around Whitehall yesterday was that it was simply propitious.

## Britain in brief



## Creditors of BCCI urged to accept deal

Creditors of the collapsed Bank of Credit and Commerce International (BCCI) have been warned by its majority shareholder to accept the provisional liquidation plan or risk ending up with nothing.

At the second day of a hearing in the High Court in London to determine whether to ratify the proposal, the government of Abu Dhabi, which owns more than 70 per cent of BCCI, said that the proposed payment to creditors was "not open to re-negotiation". The eight-person creditors' committee has objected to the plan announced by Touche Ross, the accountancy firm, in February, which includes compensation of £4.7m to creditors. The hearing is expected to continue at least until Thursday.

industry's regulator. The 1991 Ofwat report said there were 10,655 complaints about water companies in England and Wales, a jump of 130 per cent on the 4,613 complaints registered the previous year.

## Libya linked to AWD failure

Receivers acting for AWD, the truck manufacturer, have blamed the company's failure on the collapse of a deal to supply 2,000 trucks to Libya.

The Receivers said failure to complete the deal as a result of Libya not signing a \$117m letter of credit was "the straw which broke the camel's back."

## Warning of transport delay

Towns and cities hoping to instal modern tram systems such as the one just opened in Manchester have been told by the Transport Department that their plans will have to wait.

They have been warned by Mr Roger Freeman, minister for public transport, that the autumn public spending round will contain no money for new schemes to go ahead in the next financial year.

## Business faces auditing penalty

Businesses incurring penalties for failing to file their accounts on time with Companies House will be rapidly referred to a private debt collection agency if they do not pay.

From July 1, companies will be fined up to £5,000 if they do not file accounts within the statutory time period, which is seven months after the end of the financial year for public companies and ten months for private companies.

## Safeway plans rail network

Safeway, UK grocery retail chain, is planning a pan-European rail distribution network with Ahold of the Netherlands and Casino of France. The three companies are partners in the European Retail All-

ance which they set up to rationalise European sourcing. Safeway has recently started using systems operated by Charterrail, road-rail distribution company to carry wines and spirits from its bonded warehouse in Harlow, Essex to a new superstore in Bellshill, Scotland.

## Efficiency drive for Olympics

Manchester is to use a cost-efficiency scheme known as DBOM - design, build, operate and maintain - as part of its bid for the 2000 Olympics to ensure that new sporting facilities are built at the lowest possible cost.

Under the DBOM approach to building projects designers and builders get the bulk of their returns from running the facilities over several years, rather than taking larger profits from the construction contracts in the early stages.

## ICI sets up research fund

Imperial Chemical Industries, the UK's biggest corporate spender on research and development, is to set up a strategic research fund to support long-term research projects within the company.

The fund will start with £5m next year and is likely to rise to £20m a year by 1996. ICI's total expenditure on R&D is about \$600m a year.

The creation of the fund reflects concern that, by concentrating exclusively on business-oriented R&D, ICI is missing out on the very long-term research that other international chemical groups carry out in their central labs.

## Holiday group in liquidation

Aspects of Leisure, a West Yorkshire travel company specialising in school holidays which is reported to have bookings from about 200 schools across the country, has gone into voluntary liquidation.

The Association of British Travel Agents said anyone booked with Aspects of Leisure would be entitled to a full refund.

## European fault line splits Tories

THE Conservative minister was definitive. "There is a peasants revolt taking place across the continent," he said. "What is more, for every doubter on the backbenches, there is another in the government. Euro-scepticism is the new orthodoxy."

As the prime minister flew into the sublimely irrelevant Colombian capital of Bogota yesterday, he left behind him a party openly plotting rebellion.

All eyes are focused on an embattled government or, more specifically, on Mr Douglas Hurd and Mr John Major, architects and chief advocates of a treaty that now lies on a political fault line through the Conservative party.

But with the party leadership all but frozen by political hurdles at home and abroad, the initiative lies with the opponents of any ratification of the treaty. These are believed to include at least six junior

ministers, and Mr Peter Lilley, the social security secretary, and Mr Michael Portillo, the Treasury chief secretary.

Mr Hurd is increasingly characterised as a stooge of Europhile officials, lullily out of touch with sentiments in the party and the country. "Douglas made a fundamental error when he argued for ratification," a colleague said. "At the very least, he could have talked about fine-tuning."

So close to a famous election victory, the Conservative party is a long way from issuing a humiliating rebuke to its leadership. But it is now distinctly possible that the opponents of ratification have taken the driving seat.

Yesterday, an inner circle of backbench MPs met in Westminster to draw up a plan of action to halt the Maastricht bill, now shelved until autumn.

Mr Major, ever an advocate of the long game, must be well

aware of this. Equally, he must be more than conscious than every twitch of the British body politic, soon to take up the EC presidency, will be being relayed by teams of diplomats back to the capitals of the UK's European partners.

That is to his advantage. In any future negotiation, he can point over his shoulder to warn his European colleagues that it is not merely the awkward Danes who need to be mollified. Already, some senior Tories are counselling that a British presidency can justifiably demand that the Brussels commission devolves powers back to member states.

None of this resolves the UK government's two-tier problem: how to resolve the international impasse and at the same time hold the party together at home. Mr Roy Hattersley, Labour deputy leader, made

clear the government can expect no help from its opponents. Labour's price for supporting the government - a British signature to the social chapter of the Maastricht agreement - is unpayable.

The view of the tougher Conservative Euro-sceptics is that the government must seize on Danish obduracy to insist on a renegotiation of the treaty. More moderate voices recognise this may be impossible, but will demand some form of words that impose enforceable checks and balances on the Brussels bureaucrats.

With no obvious routes ahead, the ever-cautious Mr Major may well decide to use his EC presidency simply to pose his quandary to his European colleagues. He may then suggest that they come up with their own alternative solutions as to the way out.

Ivo Dawnya



Douglas Hurd (above) is increasingly characterised as being out of touch with his party's sentiments

## Guarantee for coal workers

Mr Michael Heseltine, President of the Board of Trade, has guaranteed that British Coal employees will get a stake in its future whatever form of privatisation is chosen.

Addressing the annual conference of the Union of Democratic Mineworkers (UDM) he said no final decision had been taken on how to privatise British Coal but expressed sympathy for the UDM-led consortium which aims to take a 25 per cent stake in the corporation.

## Complaints on water industry

Complaints from dissatisfied customers against the monopoly water companies - currently reporting increased profits - more than doubled last year, according to the annual report of Ofwat, the

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## FT LAW REPORTS

# Banks cannot reclaim travel rescue money

**TOSG TRUST FUND LTD v GROSZENTRALE UND BANK DER OESTERREICHISCHEN SPARKASSEN - AKTIENGESSELLSCHAFT AND OTHERS**  
(Commercial Court)  
Mr Justice Hobbhouse  
January 28 1992

**BONDED SUMS** obtained by an incorporated trust fund from banks on the undertaking that money not used in exercise of its corporate powers will be repaid. Are repayable only to the extent that they exceed the aggregate of the sums spent by the fund within its powers as set out in its memorandum and articles of association.

Mr Justice Hobbhouse so held when giving judgment for the plaintiff, TOSG Trust Fund Ltd, on its claim against the defendant banks, Groszentrale und Bank der Oesterreichischen Sparkassen Aktiengesellschaft and others, for a declaration that it was not liable to repay to the banks bonded sums it, though initially misapplied, they were subsequently properly applied by TOSG in accordance with its powers.

**HIS LORDSHIP** said that TOSG was a company set up by the Tour Operators Study Group, an association of UK travel and tour operators.

Its primary purpose was to administer bonding arrangements made for the protection of its members' customers in the event of failure. Its objects and powers were defined by its memorandum and articles of association.

In accordance with TOSG purposes a bond was issued by the banks on September 28 1989 in favour of TOSG. The subject matter of the bond was the potential failure of a company called ILG Travel Ltd, a TOSG member.

The amount of the bond was £83.2m. The banks undertook to pay the bonded sum to TOSG on demand in the event of ILG Travel's insolvency.

In consideration of issue of the bond, TOSG agreed to undertake to repay the banks "on demand" such part of the "bonded sum" as was not spent by TOSG in execution of its powers as set out in the memorandum and articles of association. On March 8 1991 the appointment of administrators of ILG Travel triggered the banks' obligation to pay under the bond. On March 11 £25m was paid by the banks to TOSG under the bond. On March 13 TOSG provided the requisite letter of undertaking.

A problem then arose. The ILG group included other associated companies which were not TOSG members. They were affected by the group's collapse.

Believing it was entitled to do so, TOSG made payments for the benefit of the non-members' customers. The banks protested that those payments were not within TOSG's powers. They claimed an injunction to restrain TOSG from spending the bonded sum other than in connection with customers of ILG Travel.

Judge Diamond sitting as a deputy High Court judge held that TOSG was entitled to make payments in respect of non-members' customers. The banks appealed. The Court of Appeal said TOSG was not entitled to make such payments (FT, February 5 1992).

TOSG had paid £10m outside its powers (*ultra vires*) and, because the banks were saying that sum should be repaid, it was left with only £40m to apply within its powers (*intra vires*) for customers of ILG Travel.

Since TOSG did not have funds apart from those paid under bonds, it was not in a position to repay the banks save out of the funds received from the banks.

A body called Air Travel Trust (ATT), established by the secretary of state for transport to provide back-up to meet claims arising from the failure of tour operators, had made loans to TOSG, and had given a conditional undertaking which, subject to the present dispute, should also enable TOSG to restate the sums expended *ultra vires*.

On February 11 1992 the banks formally demanded repayment of the £10m. TOSG refused. On February 18 it issued the present proceedings raising the question, *inter alia*, whether on the true construction of the undertaking it was liable to repay sums applied *ultra vires* if reimbursed to TOSG (whether by ATT or any other person) and then properly applied.

TOSG asked the court to declare it was not under any

such liability. The banks counterclaimed a declaration that it was. Their argument was that the express words of the letter of undertaking required TOSG to repay the banks on demand such part of the bonded sum as was not spent on *intra vires* payments.

The figures to which the argument had to be applied were now reasonably crystallised.

On the receipts side TOSG had had £83.2m under the bond on which it had earned £3.94m interest, making a total £87.14m. From ATT it had received £10.1m, partly by way of loan. On the payments side *intra vires* payments totalling £51.4m had been made. Other payments totalling £11.1m.

Accordingly at present TOSG had a reserve of £14.7m. It estimated that there were about a further £18m *intra vires* claims to be met.

If TOSG was not required to repay the banks it would be able, with ATT's assistance, to pay the ILG Travel customers' claims in full.

TOSG submitted that it should be allowed to make the *intra vires* payments in full. The banks submitted that it should not, but should repay the £10m paid *ultra vires* prior to the provision of further funds by ATT.

The relationship between TOSG and the banks was simply one of debtor and creditor.

The bond gave rise to an obligation on the banks' part to pay a sum to TOSG on a certain contingency occurring. The letter of undertaking imposed on TOSG an independent obligation to pay a sum to the banks on a certain contingency. The contingency if it occurred created a liability in debt of TOSG to the banks.

The question of construction of the letter of undertaking was one of identifying the contingency on which creation of the debt stood.

The "bonded sum" was an amount of money, not a fund in which the banks had reserved any proprietary right or which was impressed with any trust.

Therefore one could substitute for "bonded sum" the words £83.2m. If TOSG could demonstrate it had spent £83.2m in performance and execution of its *intra vires* function, it was not liable to repay anything to the banks. The contingency had not occurred.

The Court had Appeal judgment was not concerned with the present questions. It was asked to rule on a contention by TOSG that it could avoid liability to repay by proving it would have been possible to have spent on *intra vires* functions money which it had in fact spent on *ultra vires* functions. On that argument it could not escape the express words of the undertaking. It could not show that it had spent the money on *intra vires* functions. Rejection of the contention was inevitable.

On the facts now before the court TOSG was in a position to show that, subject to a small margin, the sum spent by TOSG on *intra vires* functions would fully absorb the sum paid by the banks together with accrued interest.

When the matter was before the Court of Appeal TOSG was not in a position to show that, and had to accept for the purposes of those proceedings that the sums properly expended would inevitably fall short of the sum received by some £10m.

The banks' present argument was that as soon as TOSG spent money *ultra vires* an automatic liability accrued to make an equivalent payment to the banks.

That argument depended on some idea of an earmarked fund. There was not any fund having that character.

In reality and in law the effect of the letter of undertaking was that when TOSG came to state what it had spent, it could not bring into account any *ultra vires* expenditure. It could only bring into account *intra vires* expenditure that it had in fact made. Before the Court of Appeal TOSG's arguments were bound to fail. Before the present court they succeeded.

On the true construction of the letter of undertaking TOSG was liable to repay only the amount by which the bonded sum exceeded the aggregate of the *intra vires* payments.

For TOSG: Alan Steinfield QC and Christopher Mager (Norton Rose).  
For the banks: Jeremy Cooke QC and George Leggatt (Chif-ford Chance).

Rachel Davies  
Barrister

## Cementing new ties

David Lovett is quitting the US operations of Lafarge Coppée, the French company which is the world's second largest cement manufacturer, to join an arch rival, Blue Circle of Britain.

As the new president and chief executive of Blue Circle's US operation, Lovett, 50, replaces Keith Orrall-Jones who will shortly return to London as group managing director of Blue Circle Industries.

Blue Circle's US profits have slumped from \$35.5m in 1987 to \$11.5m last year, so Lovett will not be short of a challenge. It was poor performance that prompted the arrival of Orrall-Jones two years ago; the company credits him with introducing a stringent cost-cutting programme which it claims has at least lessened the effects of deep recession.

A Canadian, Lovett has spent the last 23 years with Lafarge, mostly in Canada. Three years ago he moved to Lafarge Corporation's headquarters in Reston, Virginia, as president of the construction materials group, reporting directly to Lafarge's boss, Robert Murdoch.

Blue Circle, Lafarge and a small number of other European cement companies have expanded aggressively into the US, and now account for around half of America's cement production.

Blue Circle, whose concrete product operations are based mainly along the eastern sea-



board, is headquartered in Atlanta, Georgia.

■ Sir John Banham, outgoing director general of the Confederation of British Industry, is to become a non-executive director of National Westminster Bank from July 1.

Sir John, who leaves the CBI at the end of this month, is to chair the proposed new Local Government Commission. He will also take up non-executive directorships at National Power and Tarmac from the beginning of July.

In 1983, Sir John was appointed Controller of the Audit Commission and became director general of the CBI in 1987.

■ Ian Ramsay has been appointed md of CPC(UK) Ltd. He is currently operations director.

■ Thomas Sneddon becomes a main board director, and general manager of Caldwell's Paper Mill, at INVERESK. He joins from Tullis Russell, where he was sales and marketing director.

■ Tony Cars has been appointed group finance director of CAMPBELL & ARMSTRONG, and will take over when Mark Hesketh finishes his secondment and returns to Kingston Oil and Gas where he is group finance director.

■ Alastair Robertson joins SAFEWAY in the newly created position of head of

research and development within the quality assurance division. He comes from the Campden Food and Drink Research Association.

■ Roy Fewster is promoted to the new position of operations director at HARVEY PLANT.

■ John Alexander becomes sales director, special markets at HERTZ Europe.

■ Patrick O'Neill and Mark Rose have been appointed directors of ELCLARKSON and Company Limited. Mike Ball and Alan Rand are divisional directors.

■ Stephen Gutteridge is the new commercial director of SEEBORD. He joins in August from Amerasia Hess Limited.

■ Ray Pettitt, 55, who is retiring after ten very active years at the helm of Minet, the international insurance broker, may firmly dismiss any future role at the troubled Lloyd's insurance market.

But he could be a useful man to have around at Lime Street as the market's bosses grapple with rebel Names. Minet Holdings became ensnared by scandal in the early 1980s, when executives from the group's then subsidiary, the POW managing agency, were accused of siphoning off cash belonging to Lloyd's Names. Pettitt, who had spent much of his working life in Nairobi building up Minet's African subsidiaries, was drafted in to clean up the mess.

And he has also had some

corporate finance experience - which could come in handy for a market seeking to attract "corporate capital". In 1988 he was involved in negotiations which ended in the sale of Minet to its current owners, The St Paul Companies, a Minnesota-based insurance company - the first time any Lloyd's broker has been sold to an insurance company.

Minet is looking to the younger generation for a replacement. Peter Christie, 45, is a specialist in liability insurance. Christie has been with Minet since 1988. He was appointed group managing director and chief operating officer in June last year. Pettitt will continue in his role of non-executive chairman until the end of October.

## Barclays Life reflects



Goford's major professional contribution is a paper on "The Control Cycle" - the financial control of a life assurance company - which has become a reference document for actuaries. He has spent a considerable time measuring insurance products' profitability.

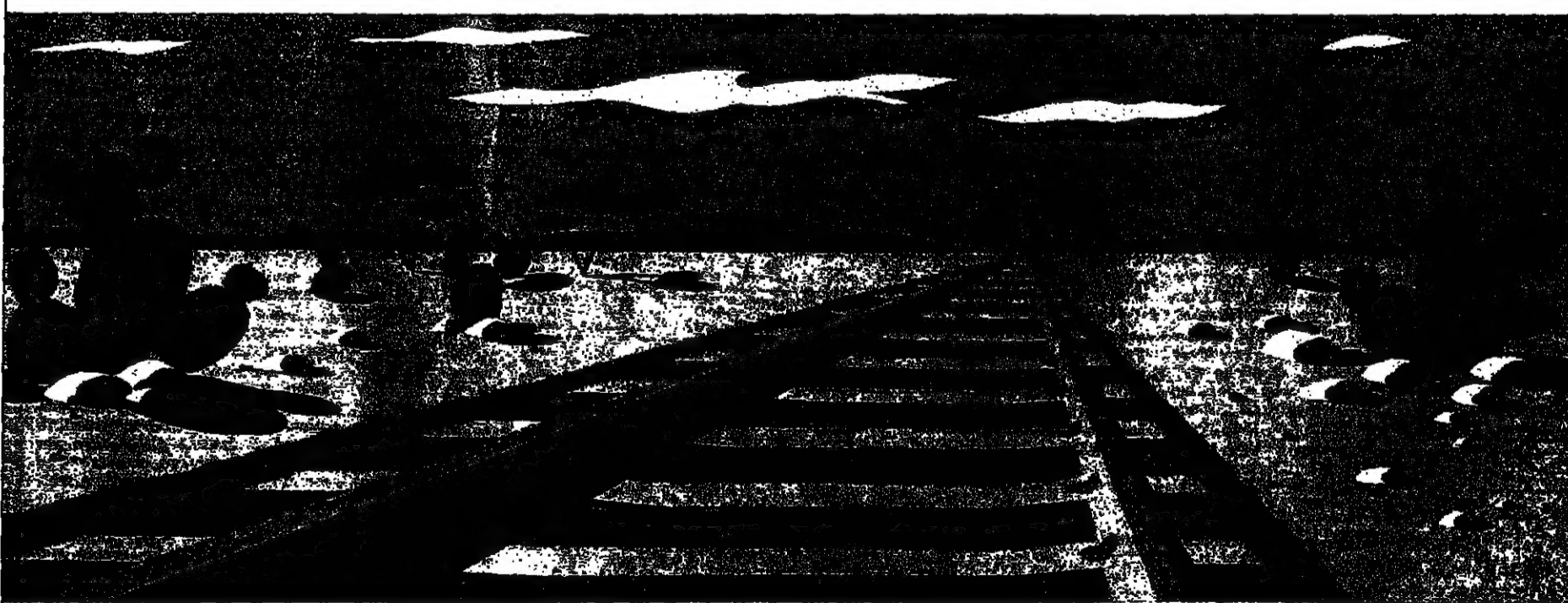
Barclays has been slower than some rivals, particularly Lloyds Bank, to break into the lucrative life insurance market. Unlike Lloyds, which acquired Abbey Life, Barclays decided to build its own life operation partly because it felt that by growing its own operation there was less chance of alienating the managers of its 2,500 high street branches, its main sales outlets.

"One of the fears of bank managers is what happens when a life insurance salesman gets hold of their customers" says Goford. He intends to address these fears by focusing more closely on what customers need rather than what they can be sold. Given his experience as a consultant rather than a salesman, he believes that he can make the job of marketing life insurance "less intrusive".

Last year, Barclays Life increased its sales by 18 per cent. With 1,500 representatives in the field and assets of £1.5m, it is already one of the bigger insurance companies.

Goford takes over from John Little, who has been doing the job on a temporary basis and who will remain a director of Barclays Life.

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## MANAGEMENT

# How to stay in control when your staff is revolting

Lucy Kellaway offers managers a practical guide to coping with difficult colleagues

How many difficult people do you have to deal with at work? There is the one who moans incessantly; the paranoid one who will not stop talking; and one who cannot take decisions. There is a prima donna, a bully and the nervous one who clicks his finger-joints. If only we could find a way of coping with these people, our working lives would be a lot easier.

According to Barry Woolf, an expert in anti-social behaviour at work, the first mistake is to confuse difficult people with difficult behaviour. Genuinely difficult people are apparently rare, while nearly everyone is capable of behaving in a difficult way.

Quoting recent US research, he says that only 6 per cent of people suffer from the "real jerk syndrome". The other 94 per cent "just want to get along". Treated properly, they should pose no problems. The whole question is subjective, Woolf told a packed conference organised by IIR Seminar Centre. Everyone is likely to object to behaviour that is the opposite of their own. If you are very efficient, it may be hard to work with someone who is in a permanent muddle and cannot get anything done. They may find your neat lists and schedules equally maddening.

The aim, says Woolf (whose modulated voice and unruffled behaviour might annoy some people), is not to change the "difficult people", but to change the way they behave towards us and the way we respond to them. We must be more flexible and more tolerant. We must understand and be able to predict the sort of things that are likely to get on our nerves.

The idea is to defuse conflict before it arises, Woolf suggests "pacing" the difficult person, which means copying their body language



MR BULLY



MS WET BLANKET



MR BIG MOUTH



MRS PROCRASTINATOR



MR DITHERER

and even breathing at the same rate, to create the impression of harmony and agreement. However, there is a danger that your colleague may notice you are breathing in an unnatural way and scratching your head each time they scratch theirs: that would surely spoil everything.

In most situations, it is going to take more than rhythmic breathing to sort out the problem. Never mind talk about subjectivity, many sorts of behaviour are plain difficult,

whichever way you look at it. Some of the most common are:

- Exploders, who blow up over trivial details.
- Wet blankets, who contribute nothing, then say: "I told you so".
- Moaners who complain constantly.
- Gossip-mongers who spread rumours.
- Backsliders who always say that it's not their fault.
- Stubborn people who will only do things their way.

What makes this sort of behaviour difficult is that it provokes a response in you: you snap back in anger, work yourself up into a private rage, or say something you regret later. The ideal is to recognise the hook and refuse to respond. Say to yourself: "I am not going to let this get on my nerves". But sometimes, the behaviour is so obnoxious that something needs to be done. A talk may be a good idea, but according to Woolf, this needs to be handled with great

care. He suggests you should:

- Listen to what is being said.
- Humour colleagues. Acknowledge what they have to say.
- Replay the offending event or behaviour to them.
- Tell them what you feel about it, and note the unfortunate consequences of their behaviour. Explain the changes in a firm, non-challenging way, offering as carrots any positive benefits to the organisation.

Woolf's advice may be good, although it rather assumes that the

person is already pretty reasonable. Really difficult people are likely to go into orbit if they suspect you are humouring them. Behaving like a saint may help in some cases. Of more practical assistance are his crisis measures to deal with particularly nasty behaviour.

## BULLIES

Let colleagues vent their anger, but try not to take it personally. Separate the emotion from what they are trying to say.

- Stand up for yourself: explain the benefits of your point of view, and express your disagreement in factual terms. Above all, make sure you have your facts right.
- Allow them to save face.
- If all this fails, get help.

## BLAMERS AND MOANERS

If someone is seeking to avoid blame, you should:

- Make sure that the facts are in the open and point them out.
- Don't sympathise and, above all, if they are trying to blame you, don't rise to it.
- If colleagues complain constantly, you should:
  - Make a list of the complaints, and present it to them.
  - Discuss the matter with them surrounded by positive people.
  - Ask: "What are you going to do to fix the problem?"

## PROCRASTINATORS

- Set a system or diary, and make sure they know what they are supposed to be doing and by when.
- Be supportive of their efforts.
- Follow up, keeping close tabs.

These stereotypes may be of no help with your difficult people. In general, Woolf recommends a six-step written Master Plan that will deal with everyone.

It involves writing down:

- Details of your difficult people and their particularly annoying characteristics.
- Why you are vulnerable to them.
- What specifically the person does to trap you.
- Your typical response.
- A plan to deal with the problem, and a list of expected advantages.
- Later, monitor your progress.

If you can make this list without getting into a fury at the very thought of your difficult person, you may be on the way to cracking the problem.

Resistance from middle managers is usually considered the biggest obstacle to the sort of organisational and culture change which most western companies are trying to implement. Yet in Britain, resistance to change among senior executives is soaring to such an extent that top managers now claim it is becoming almost as serious a barrier.

Not only that, but top managers say that resistance from their own board colleagues, albeit less intense than from middle or senior managers, has become a greater problem than opposition from junior managers or even from trade unions. Some organisations are now suffering from a "siege" mentality among their managers.

These are the findings of a survey about Managing Change in the 1990s\* among 475 top and senior

Christopher Lorenz says that senior executives are becoming resistant to altering the way they work

## Top bosses find change is as good as a pest

executives in 364 large British organisations, in both the private and public sectors.

As the second survey of its kind in two years by the same consultancy, People in Business, the results provide a useful gauge of the changing temperature at various organisational levels.

The survey is not an objective test, since it measures the perceptions of top managers - 91 per cent of the sample were directors. But it does shed light on how managerial attitudes tend to shift, both as change programmes get under way for the first time - as in many

public sector organisations at present - and as executives start to be more affected by established change programmes than they had expected.

The study does not demonstrate conclusively whether changes in resistance are associated directly with job insecurity, but its authors say that part of the increased resistance is from managers whose departments are under threat.

In terms of strict ranking, resistance from middle managers is still seen as Obstacle No 1 by the survey's respondents: it was cited by 32 per cent, the same as in 1990.

This constitutes a serious problem. As the study says, recalcitrant middle managers act as a "refractive layer", "blocking, distorting or bending communication about change". Instead of being labelled by their organisations as "villains", these managers need to be integrated with the change process and made comfortable with it, the study argues. They must be "given" the skills to handle their new roles as change leaders, rather than being left to flounder.

If this is true of middle managers, it applies even more to the executives above them. Yet the new

survey suggests that such managers are themselves fast becoming "a second refractive layer". It ranks resistance from senior managers (one or two levels below the board) as Obstacle No 2; opposition from them was cited by 18 per cent of respondents, up from only 12 per cent in 1990. Resistance from top management, at 11 per cent (up from 8 per cent) has overtaken resistance from trade unions, at 10 per cent (down from 12 per cent). Perceived resistance from junior managers is up slightly from 6 to 8 per cent, while opposition from lower-ranked staff employees is

down from 9 to 7 per cent.

When the responses are broken down between the private and public sectors, the implications of the survey become even more intriguing. The perceived surge in resistance among senior managers stemmed entirely from the private sector (where it was cited by 30 per cent of respondents, up from 15 per cent in 1990), with the public sector perception of it stable at 8 per cent.

Yet the surge in reported "top" management resistance was entirely in the public sector (up from 10 to 11 per cent), with private sector perception of it stable

at the previous survey's level of 11 per cent.

Paul Lloyd, one of the study's authors, says the odd-looking public sector figures may be explicable in terms of time lags. Many public sector organisations are at an earlier stage in the management change process than the private sector. As a result, top management resistance is only now catching up with private sector levels. As for the relative lack of resistance below board level, Lloyd suggests that this is either because change has not yet become an issue between top managers and those immediately beneath them, or because there is a greater sense of fear in the public sector, so that senior managers "will jump when told".

\*255 People in Business. Tel 071 634 1069

## BUSINESS AND THE ENVIRONMENT

Last month, three US utility companies bravely waded into a national experiment to use market principles for environmental ends.

In the first public deal to trade permits to pollute, the Wisconsin Power & Light Company sold 10,000 allowances to the Tennessee Valley Authority and 15,000-25,000 allowances to Duquesne Light Company in Pittsburgh. Although the deal was widely hailed, it is far from clear whether the overall experiment will work.

The allowances are part of the Clean Air Act of 1990, which requires America's mostly coal-burning utilities to halve their emissions of sulphur dioxide, the key ingredient in acid rain, by 2000. Under the act, those companies which exceed compliance with the emissions standard - by installing new, cleaner technology or switching to lower sulphur fuels - can sell their allowances, issued by the Environmental Protection Agency, to those that have not fully complied. In theory, the total national cap on SO<sub>2</sub> emissions will be achieved in the most cost-effective way by trading the rights to pollute among utilities.

Enthusiasm for the scheme even led the EPA administrator, William Katt, to declare when announcing some of its rules last October: "The acid rain programme could become a model for other EPA programmes."

The crux of the issue is that regulators have not spelled out who - the rate-paying consumers of electricity or the company's shareholders - is to benefit (or lose) from the trading of allowances.

"If all the gains go to rate-payers instead of the shareholders, there will be little incentive to use the market," said Tony Vinesky, chief of the electric policy section of the Illinois Commerce Commission, which oversees utilities. "On the other side, to what extent are rate-payers burdened if the company has to buy allowances?"

If, for example, companies implement new technology the capital costs could be passed on to rate-payers. If they then have excess allowances, it would seem logical that the gain from the sale goes to rate-payers. However, if companies were unsure that they would be able to cover their capital expenditures with higher rates, their shareholders might prefer to buy allowances.

These could then be treated as expenses in the companies' accounting, and the cost possibly passed on to rate-payers with little or no risk to shareholders.

Vinesky believes that some formula for allocating the benefits and risks of the allowances will have to be worked out. Illinois is likely to arrive at a first draft of a policy by mid-summer, he says. The state has more urgency than others to formulate a clear policy. It is a top producer of high-sulphur coal and stands to lose if the market for its coal shrinks substantially.

The only decision so far on the regulatory matters, which will no doubt be scrutinised by others, is being appealed. In the case of Wisconsin Power, the revenue from the sale of its allowances is set to go entirely to rate-payers, but the utility is asking its regulator to allow some benefit to go to shareholders.

"It will really be the public utility commissions that dictate whether this programme is successful or not," said Thomas Brooks, vice president of Aerx, a subsidiary of Electronic Data Systems which also aims to broker allowance deals.

Aerx has considerable experience with such transactions, having brokered 80 deals in regional markets for pollution permit trading since it was founded in 1984, according to Brooks. Trading permits in

Expectations are high for the first public deal to trade pollution permits, but the scheme's long-term future is far from secure, writes Barbara Durr

## A market made out of muck



discrete regional markets have been part of US environmental laws since 1978, though the number of deals has been modest.

A second hurdle for the allowances market will be how to heat up demand. At present, surveys of utility companies show that they are tending towards over-compliance with the new standards - mostly by installing new technology to remove SO<sub>2</sub> from flue gas, known as scrubbers, and some through fuel switching. The inclination to over-compliance means that there will be extra allowances. Prices, therefore, should be kept pretty low, according to David Baker of the Illinois

Department of Energy and Commerce. "They want to be ahead of the game and not be dependent on the market," he said.

Union Electric of St Louis, Missouri seems to typify some of the attitudes of utilities. "It's a great concept and we hope the market works well," said Jerral Smith, a UE vice-president. But he explained that the company would "bank" its allowances to cover any unexpected events such as the necessity to reduce electricity generation by its nuclear plant and raise generation at its coal-fired plants.

The desire to hoard allowances stems in part, too, from the way the EPA has structured the emissions reductions. In Phase I, which runs from 1995 to 2000, 110 of the dirtiest plants have been targeted to reduce their emissions. But in Phase II after 2000, a permanent annual cap of 8.9m tonnes of SO<sub>2</sub> has been set. This means that any future requirement to increase power generation by a utility will have to come under the ceiling, boosting either the need for installing clean technology or the demand for allowances.

Allowances may not become hot commodities until the turn of the century. According to polls done by Aerx of power companies, public utility commissions, coal producers and pollution equipment vendors, allowance prices are expected to rise after 2000 to about \$800 per tonne (one allowance equals one tonne of SO<sub>2</sub>). This compares with the \$250-\$300 per tonne in the first deal. The EPA's penalty for emitting excess SO<sub>2</sub> is \$2,000 per tonne.

Of the total 5.7m allowances available annually in Phase I and the 8.9m available yearly in Phase II, 2.8 per cent will be created off by the EPA for public auction and direct sales, starting next year. This is aimed at allowing new power companies which have no allowances some access to them. The proceeds of the auctions and sales are to be returned to the utilities.

While the supply and demand in the market might seem based on economics and logic - for example, the allocations per utility were calculated on the basis of their emissions between 1985 and 1988 - the process was riddled with politics.

A number of companies, for instance, lobbied successfully for extra allowances. They pleaded special circumstances such as being in a high-growth state like Florida. With all the complications, even some of the biggest promoters of the allowances market, such as Henry at Clean Air Capital Markets, are only cautiously optimistic. "We jump-started the market," he says, referring to the first deal. "But it could choke out." If it does, it will be a big setback for those who believe in market solutions to environmental problems.

## Hoisting a new green standard

By Peter Knight

Companies in search of a green badge of approval might be tempted to conform to the rigours of the new environmental management standard from the British Standards Institution (BSI).

Compliance with the standard, known as BS7750, will indeed signal some form of environmental credibility but, more importantly, it promises to transport companies down a route which could have striking effects on the corporate culture.

"Don't do it for publicity," warns Michael Gilbert, the project manager of the BSI's environment initiative. "Using 7750 is like total quality management - you can't go at it half-heartedly. It's about cultural change and if you're not willing to bite the bullet, then forget it."

BS7750 describes the type of management systems and procedures that have to be in place for companies to produce a sound environmental performance. A small number of pioneering companies, such as BP, have been doing this privately for some time.

The standard was launched in April and is now being tested by 50 companies. It will not become a formal standard for at least a year. The BSI wants it to be consistent with a number of other emerging standards, such as the EC's Eco-Audit regulation and its eco-labelling scheme.

It looks likely that 7750 will be the backbone on which the International Organisation for Standardisation (ISO) builds its environmental management standard. The BSI is contributing to a draft international standard scheduled for completion in September.

BS7750 establishes an institutionalised system which can be verified by outsiders, in the same way as the closely related quality management standard, known as BS5750. The BSI's environmental management standard is significant on both a practical and political level. Its uptake will, for example, indicate just how keen business is to regulate itself.

Business leaders, such as those on the Business Council for Sustainable Development and the UK's

Advisory Committee on Business and Environment, have been arguing strongly for the benefits of self-regulation rather than imposed legislation.

Compliance would also send important signals to the market. An increasing number of customers are demanding high environmental performance from their suppliers. Conformance with a recognised environmental management standard, such as 7750, could become a minimum requirement in contracts.

A lot of companies went for the quality management standard (7750) to get a badge on the wall to satisfy customers. In some sectors, especially waste management, the same will apply to 7750, says Tony Bishop, manager of environmental services at PA Consulting.

The environment standard has been written to appeal to almost any business in any sector. "The oil industry has had a positive experience with 7750 and we are hoping for the same with 7750," says Mike Northover, a member of the health, safety and environment management group at the UK Petroleum Industry Association.

"I don't think it is the commercial side that our industry is interested in. We are trying to improve our operations rather than trying to show that we are more green. But I don't think that any of us will decide to go for it until we find out how practical it is," he says.

Ray Nash, development manager at Beaman Bodyworks Barnstaple, a small Devon company that repairs damaged cars, says compliance with the standard will be good for the company's efficiency and marketing.

Beaman was the first business in its sector to comply with 7750. It is keen to conform to 7750 too, although it has decided against being part of the initial pilots. "One thinks that these standards will cause a lot of hassle but it's not like that at all. We have become more efficient and it takes one person five to 10 hours a week to manage 7750. But I must say that if we had not managed to implement 7750 I don't think we would have even begun to understand 7750," says Nash.

Back  
antatas

David Murray

ARTS  
GUIDE

WINTERDAYS



## Concert

## Bach cantatas

It is a matter of constant concern that not enough people, not even dedicated music-lovers, know about the riches of Bach's cantatas. More than two hundred cantatas, in the accepted nomenclature (which is neither chronological nor ordered in any other way, except that the "secular" cantatas are catalogued last). Though a few of them are patchworks, fragments or single numbers, or dubiously attributed to Bach, such worries are only the business of musicologists.

Stravinsky made the essential point. Asked whether any music ought to count as "basic" in the Western concert-repertoire, he voted for Bach's cantatas. His grounds, I imagine, went something like this: the cantatas exemplify at once, and masterfully, the possibilities of Western tonal construction, and the range of (spiritual) music-drama it affords, but without any narrow attachment either to Viennese symphonism or to Romantic theatre. Those great subsequent traditions may be viewed as historical and special. For all his Lutheran commitments, it was Bach who spelled out the definitive means in a timeless way.

The title of the South Bank series that Sir William Glock has devised for the Orchestra and Chorus of the Age of Enlightenment - "Bach: The Colourful Dramatist" - underlines the point. Though Bach's period-pious texts may seem quaint now, their sense is completely rendered in his music; by comparison, some of Mozart's best effects sound like extra-musical theatre.

On Monday the OAE's Queen Elizabeth Hall concert, the fourth in their series of six, ranged from the almost private soprano-meditation "Mein Herz schwimmt in Blut" (Cantata no. 198, delivered with bell-like sweetness by Nancy Argenta) to the grand choral fervour of no. 78, "Gott der Herr ist Sonn' und Schild". Even in the latter, rapid interjections by soprano (Argenta again) and bass (the hugely promising Gerald Finley) supplied a close-up personal dimension. The young German musician-tenor Andreas Scholl - only a decade ago, he was singing one of the Three Boys in *Zauberflöte* - was both agile and subtle.

Marty Hill's tenor contributed stylishly to no. 73, "Herz, wie du willst". Here and there I had unmitigated reactions to the "authentic" playing-style: did "period" violins (truly as they were here) so often peck at their music, where unadorned modern performers sculpt broad lines? What, exactly, is the virtue of rearing natural-horn devotees who keep "splitting" on their notes, when they could deliver the music on valve-horns with cool facility?

Still, one mustn't look this period gift-horse in the mouth. It does bear unfamiliar subtleties of balance - and a democratic democracy-of-parts that is too often sacrificed now to the fashion for star soloists with faceless accompaniment. The conductor of this concert was René Jacobs; the last two, on June 17 and 23, will be conducted by Barthold Kuijken.

David Murray

## Television/Christopher Dunkley

## Worrying straws in the wind

There are many straws in the wind. Programmes are now turning up regularly on screen looking as though they have been created specifically to compete in the new market-obsessed contest which is being thrust upon British broadcasters by the 1990 Broadcasting Act. British television is starting to look more and more like American television, not only because there are so many American imports (likely to increase even further as we move towards January 1993 and the new franchises) but because British programme makers are increasingly producing the sort of programmes favoured by American programme makers, and for the same reasons.

Commercial broadcasters are not the only ones. In approaching the renewal of its charter in 1996, while preparing in the shorter term for the examination promised by the new broadcasting minister, David Mellor, the BBC clearly feels under tremendous pressure to script, save and maximise audiences in order to prove itself more market-obsessed than its competitors. Thus we learn that in two weeks time BBC1 will begin an ambulance-chasing series called *999* which we are warned will "focus on the real life drama behind every emergency call" and will tell "dramatic stories of real life rescue".

Of course the bravery and selflessness of ambulance-men and lifeboatmen are reasons for celebration, and no doubt there are heartening stories to tell. But this series is pretty clearly inspired by the American series *Rescue 911* (the British dial 999 but Americans dial 911) which all too often turns out to be current affairs for ghouls. Last time I watched *Rescue 911* the cameras followed one poor soul all the way into casualty where, we were told, he died on the operating table. Perhaps the British version will be less sickeningly intrusive, and, who knows, it may not be especially cheap. But it is hard to avoid the feeling that *999* is another move towards the sort of ratings-led tabloid telly which BBC1 is already seeking to exploit in such series as *Crime Limited*.

Tom Bell, Cathy Tyson and Eric Mallet in *Angels* (Granada)

## Concert/Andrew Clements

## Pittsburgh Symphony Orchestra

If sheer machined efficiency and implacable technique were all that's needed, the Pittsburgh Symphony Orchestra would qualify easily for the place among the world's great orchestras it claims for itself. But there was something utterly charmless, if not almost repellent, about the display it gave to a capacity Royal Festival Hall audience on Monday: a demonstration of prodigious strength in every department, and seemingly inexhaustible reserves of tonal power certainly, but little feeling of individuality or even of corporate artistic spirit.

Comparisons with the Philadelphia Orchestra, which played in the same hall two weeks earlier, are inevitable. Where that authentically great orchestra certainly gave ample proof of its collective virtuosity, it was used there at the starting point for wonderfully elegant

musicianhip, with beautifully fashioned wind solos and strings blended and refined into an infinitely malleable whole. The Pittsburgh suggests none of that; it leaves the impression of being no more than the sum of its formidable parts, parading a surface glare which wears the ear on unrelieved exposure.

Whether more humanity would have emerged under a conductor other than Lorin Maazel, the Pittsburgh's current Musical Director, is another matter. Maazel's approach to Mozart and Mahler at least had the virtue of consistency: both performances - of the E flat Symphony K.549 and Mahler's Sixth - were hard driven and glossy, self-consciously expressive, interpretively unbalanced. If Mozart symphonies are still to be performed by a modern symphony orchestra perhaps they should go all the way like this, and be

90-minute drama involving not one but three guardian angels, played by Tom Bell, Cathy Tyson and Eric Mallet, with Alfred Molina and Warren Clarke as two of those on earth who become involved. Unless they were blinded by the stardom of the cast the mystery is how those in charge at Granada ever allowed this to get onto the network in peak hours.

Though billed as a "comedy drama" it was consistently unfunny. Worse, it was long-winded, the three strands did not fit well together, and the plot broke all the rules of time travel and celestial visitors. By all accounts this was intended as a pilot for a regular series, but we would be better served if Granada brought us another American series, provided it was as good as the better episodes of, say, *Beauty And The Beast*.

There is, perhaps, less reason for suspecting that *A Sign In The Dark* on Channel 4 is inspired by the desire to be ready for more cut-throat competition come 1993, though since the channel is going to cease being supported by ITV and instead compete with its old supporter for advertising, we certainly should not be too stary-eyed. The depressing thing about this late night Friday series, described as "a topical programme which takes an oblique look at the week's news, serving up anarchic and subversive topical comment in front of a studio audience" is its pathetic safety.

Had the producers wanted to achieve the sort of delighted shock which greeted *That Was The Week* 30 years ago they could have done so by attacking today's sacred cows: tunnel vision feminism, loopy greenies, the politically correct apparatus of the Aids industry. What did they choose instead? The House of Lords, Mark Thatcher and a book on etiquette which had already received a much fiercer roasting from *Private Eye*. Picking through celeb dustbins and castigating the owners for not taking bottles to the bottle bank requires less moral courage than explaining to an audience bombarded by green hype that most bottle banking is a total waste of time since the recycling industry can only use a tiny proportion of what is collected and the business is largely a feel-good charade.

The common factor in all these straws is the expectation of fierce competition for audiences and, in all cases outside the BBC, profits. One more item this week may give an even more vivid hint of things to come. We are told that Sky is planning from early 1993 to encrypt its 24-hour news channel Sky News and its general entertainment channel Sky One and sell them in a package with five other channels (the rock video channel MTV, the American classic movie channel Bravo, the nature and science channel Discovery, the Children's Channel, and the planned UK Network which is being launched by Thames and BBC Enterprises) for £5 a month. Add that to the £17 a month already charged for the movie channels and the £22 a month predicted for soccer and you reach an interesting total of £262 a year for the satellite services, or just over six times the BBC licence fee.

For "straws" read "haystacks".



Julia Varady and James Morris

## Opera/Max Loppert

## Der fliegende Holländer

On Monday a new *Dutchman* launched the 21st season of week-long Midland Bank Froms at the Royal Opera House. It went off with a bang: a lively, purposeful staging of an opera which, for all its sanctified position as the first great Wagner music-drama, so often goes dull and purposeless in the theatre. At Covent Garden the full resources of contemporary stage technology are used to "do the piece", not to reinvent it in the high-concept terms that have become fashionable in recent years. (The 1986 Royal Opera production, with its factory sets and blue-jeaned Senta, was an unloved and short-lived example of the latter trend.)

The producer and set-designer of this latest London *Dutchman*, Ian Judge and John Gunter, have gone for spectacle which modernises the stagecraft of the libretto while leaving its dramatic properties essentially unscathed. A great pivoted wooden platform spins and dips and rears up to serve the shipboard scene of the first part and the docks of the last (the opera is given in single-act form). Contrasts of local and supernatural, elemental outdoors and cosy indoors, are neatly achieved with the raising and dropping of sails and sea-front facades, the sharp-eyed detail of Deirdre Clancy's costumes, the sudden blazing or dimming of lights.

The production looks at once complex and simple, spectacular and practical. Big effects are swiftly and surely worked up. The drama whizzes along. Mr Judge, director of (among many others) the celebrated *ENO Faust*, *Opera North Show Boat* and *Boris Godunov*, and *RSC Wizard of Oz* and *Comedy of Errors*, almost always comes up with a terrific show, and does so once more in his first Covent Garden venture. My own feelings of deep disappointment at the showbiz

superficiality of it all - the limited poetic horizons and stunted humanity of the treatment, the patina of "efficiency" that lies on the opera like a thick cosmetic cover - will indeed appear the grossest ingratitude.

One person on stage, however, wakens the performance to the high-Romantic thrill to which it otherwise seems so strangely and resoundingly impervious. This is Julia Varady, an artist in the full bloom of glorious maturity, whose every note, every word, every action quickens with "fat life", with passionate spontaneity and musically and dramatically warm. The very vibrancy in the timbre removes the soprano from the realm of Northern-myth Senta; the splendour of Miss Varady's singing, with its loving legato and portamento phrasing, are generally thought of as belonging to the world of Italian opera, though of course Wagner (himself a connoisseur of fine Italianate singing) blossoms in such vocal conditions.

She is not a dramatic-soprano Senta, not limitless in stamina; while from that small frame (set in particular relief by the presence of so many tall male principals) some remarkable and fearless utterances are thrown out, the climaxes of the duet with the Dutchman tax all her resources. Yet this too humanises the portrayal, and with it the notion of redemptive self-sacrifice, into something utterly fresh and vital - Miss Varady is neither the icon-Senta of past Wagnerian treatment nor the nutcase-Senta of recent years, but a flesh-and-blood creature upon whom the whole emotional and poetic drama can properly be based.

Ideally, she needs to play opposite a Dutchman of similar vitality, similar quickness of response. James Morris's Hel-

denborien is well known in this theatre; and though on Monday he started the evening in unwontedly dry, hollow-voiced form, hooking and lifting up into the notes, the large sounds and securely-shaped phrases soon came into focus. I feel about Mr Morris's performance the same dastardly ingratitude as I do about the show as a whole: admiration for his bigness and security of vocal craft, weariness at the sheer predictability and externalised effects-making of his characterisation.

The Swede Thomas Sunnegård is a personable, slightly shallow-voiced Erik, Neill Archer an alert and agreeably lyrical young Steersman (he also dances notably well), Anne Wilkens a pleasantly tough, unfussy Mary, Gwynne Howell's first Covent Garden Deland, though he too started the evening in rough voice, is no cartoon capitalist but a rounded human being - Mr Howell's gift for understated but sharply observed comedy, too little employed, makes a welcome re-appearance.

The conductor is Christoph von Dohnányi. Fine playing and singing from the much-improved chorus, a forward-moving impulse to the solos and duets, a clear and authoritative eye on the big climaxes, an exciting sweep to the finale: the performance has all the now-familiar Dohnányi virtues and many others besides. What it lacks is genuine grandeur, ripe affection for the picturesque musical elements (the sailor jollifications lose their rhythmic bounce by being too evenly accented), richness and variety of atmosphere. In a sense, conducting and production are all of a piece.

Sponsored by Royal Opera House Trust; in repertory until July 1



## AMSTERDAM

Concertgebouw 20.15 Lev Markiz conducts the New Amsterdam Sinfonietta. Tomorrow: Kronos Quartet. Sat afternoon: Simon Rattle conducts the Rotterdam Philharmonic (8718 345). *Beurs van Berge* 20.15 Vassili Sinalski conducts the Netherlands Philharmonic Orchestra in works by Schumann, Von Henselt and Dvořák. Repeated tomorrow (8270 466).

## ATHENS

Concert Hall 20.30 Bolshoy Ballet School in a new Electra choreography by Yuri Grigorovich, performed daily till Sun along with other works from the company's repertory (722 5511). Fri at Odeon of Herodes Atticus: Greek National Opera production of Nabucco, opening performance of 1992 Athens Festival (322 1459).

## BONN

Dennis Russell Davies conducts

Jean-Claude Ribier's new production of Die Walküre tonight at the Oper also Sun. Fri, Sat, plus next Tues and Wed at Werkstatthalle: Wolfgang Rihm's chamber opera Jakob Lenz. Fri at Beethovenhalle: Christoph Prick conducts Beethoven's First Piano Concerto (Jeffrey Kahane) and Strauss's Sinfonia Domestica (773867).

## BRUSSELS

Monsieur 18.00 Sylvain Cambreling conducts first night of Peter Mussbach's new production of Les Troyens: Runs till June 30, next performance on Sat (219 6341).

## COLOGNE

Opera Neil Shicoff and Alexandru Agache head the cast in tonight's performance of Un ballo in maschera at the Opernhaus (also June 14, 18, 21, 25, 28). The repertory also includes a Tanz-Forum production of a new ballet by Jochen Ulrich and Heinz Spoerli's Dusseldorf production of La fille mal gardée (221 8400).

## CONCERTS

James Conlon conducts the Gürzenich Orchestra in Mahler's Second Symphony in the Philharmonie on Sun morning, also Mon and Tues evenings. Sun evening: Antoni Wit conducts Philharmonia Hungarica (2801).

## COPENHAGEN

Tivoli Koncertsalen 19.30 Gary Bertini conducts Tivoli Symphony

Orchestra in Dvořák's Violin Concerto (Shira Rabin) and Mahler's First Symphony. Tomorrow: Michael Schoenwandt conducts Dvořák's New World Symphony. Fri: Rossini's Petite Messe Solennelle. Sun: Pinchas Zukerman and Ralph Kirschbaum play Brahms' Double Concerto. The season continues till mid-September (3315 1012).

## GENOA

Teatro Carlo Felice 20.30 La sige de Corinthe with a cast led by Luciana Serra. Final performances on Fri and Sun (589329).

## HOHENEMS

This year's Schubertiade begins on Fri and runs till June 28. Anatol Ugorski gives the opening piano recital of Beethoven and Schubert. Andreas Schmidt sings Die schöne Müllerin on Sun. Andreas Schiff gives a complete cycle of Schubert sonatas, Nikolaus Harnoncourt conducts the Schubert symphonies with the Concertgebouw Orchestra, and there are recitals by Brigitte Fassbaender, Dietrich Fischer-Dieskau and Olaf Bär. Other guests include Maria João Pires, the Emerson and Cherubini Quartets, Gidon Kremer, Peter Schreier, Margaret Price and Graham Johnson. All this year's events take place in Feldkirch (05522 38001).

## LONDON

Covent Garden 20.00 Salome

with Maria Ewing. Tomorrow: Der fliegende Holländer. La bohème. Sat. Samson et Dalila with Domingo. This week's performances are Midland Bank Proms: no stalls seats (071-240 1068). Coliseum 19.30 Madam Butterfly with Janice Cairns and Arthur Davies, also Sat. Tomorrow: Falstaff (071-836 3161). Royal Festival Hall 19.30 James Blair conducts the Young Musicians Symphony Orchestra in works by Mussorgsky, Mendelssohn and Orff. Tomorrow: Artie Shaw (071-928 8800).

Barbican 19.45 An evening with Maureen McGovern (071-838 8891).

## NEW YORK

MUSIC Carnegie Hall 20.30 Gala tribute to Stephen Sondheim starring Liza Minnelli and other stars from Broadway, jazz, pop and opera (247 7800).

## THEATRE

● Salome/Chinese Coffee: Al Pacino stars in two shows running in repertory. The first is a production of the Oscar Wilde work, and the second a contemporary play by Ira Lewis (Circle in the Square, 50th St west of Broadway, 239 6200).

● Guys and Dolls: a revival of Frank Loesser's musical (Marlin Beck, 302 West 45th St, 239 6200).

226 West 46th St, 221 1211). ● Five Guys Named Moe: a musical celebration of 1940s jazz star Louis Jordan, set in present day New York (Eugene O'Neill, 230 West 46th St, 239 6200).

## PARIS

Salle Pleyel 20.30 Piano recital by Annie Fischer (4561 0630). Palais Garnier 19.30 Ballet de l'Opéra de Paris in choreographies by Neumeier, Petit and Lander. Also June 12, 16, 18, 22, 24, 30 (4017 3535). Théâtre de la Ville 20.30 Collberg Ballet in two choreographies by Mats Ek, daily till Sat (4274 2277). Châtelet 19.30 Daniel Barenboim conducts Patrice Chéreau's new production of Wozzeck, with Franz Grundheber and Waltraud Meier. Also Sat and Mon (4028 2840).

## STUTTGART

THEATRE Rodney Ackland's 1988 play Absolute Hell, set in a Soho social club at the end of the Second World War, has its German premiere this week at the Kleines Haus (transferring to the Kammertheater next week). The repertory also includes plays by Ibsen and Kleist (221795).

OPERA Die Staatstheater repertory includes Yuri Lyubimov's Gulag production of Fidelio (tonight), Achim Freyer's staging of Der Freischütz (tomorrow), Lady Macbeth of Mtsensk (Fri) and a revival of Andrea Chenier on Sun. Ruth Berghaus' new

production of Mahagonny can be seen on Sun. Rossini's La scale di setia joins the repertory on June 21, conducted by Alberto Zedda (221795).

## CONCERTS

Martha Argerich and friends give three different programmes of chamber music tonight, tomorrow and Fri at the Ludwigsburg Festival, followed by a concert on Sun by the Montreal Symphony Orchestra under Charles Dutoit. The festival continues till early October (7141-949610).

## VIENNA

MUSIC Staatsoper 18.30 Vladimir Fedoseyev conducts Boris Godunov, with Ruggero Raimondi, also Sun. Fri: Theo Adam sings title role in Cerha's Baal (51444 2980).

Theater an der Wien 19.30 Rolf Reuter conducts Harry Kupfer's Komische Oper production of Carmen. Repeated on Sun (588 1676).

Musikverein 19.30 Vladimir Ashkenazy conducts Berlin Radio Symphony Orchestra in works by Zemlinsky and Richard Strauss. In the Brahms Saal: song recital by Kathleen Battle, Fri, Sat, Sun, Mon: André Previn conducts (505 8190). Konzerthaus 19.00 Eliahu Inbal conducts Vienna Symphony Orchestra in a concert with commentary on Mahler's Kindertotenlieder, with Nathalie Stutzmann. Next Mon: Barbara Hendricks (712 1211).

## European Cable and Satellite Business TV

(all times CET)

## MONDAY TO FRIDAY

CNN 2000-2030, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman.

Super Channel 0800-0900 (Mon) FT East Europe Report - weekly in-depth analysis from FTV. 2100-2200 (Tues) Media Europe - what's new in European media business. 2130-2200 (Wed) FT Business Weekly - global business report with James Sallie. 0830-0900 (Thurs) Media Europe. 2130-2200 (Thurs) FT Eastern Europe Report. 0830-0900 (Fri) FT Business Weekly.

Sky News 0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly.

## SATURDAY

CNN 0900-0930 World Business This Week - a joint FT/CNN production. 1900-1930 World Business This Week.

Super Channel 1930-2000 FT Eastern Europe Report.

## SUNDAY

CNN 1000-1100, 1800-1830 World Business This Week.

Super Channel 1800-1830 FT Business Weekly.

Sky News 1330-1400, 2030-2100 FT Business Weekly.



## FINANCIAL TIMES

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Wednesday June 10 1992

## Japan's role in the world

PARLIAMENTARY fisticuffs and filibusters notwithstanding, Japan has taken a timid but important step towards playing a political role in the world commensurate with its economic might.

After a sitting that lasted four days and nearly four nights, parliament's upper house passed a bill authorising small numbers of Japanese troops to serve in United Nations peace-keeping operations overseas. Assuming the lower house, which agreed the bill some time ago, now passes the amended version, Japan will be able legitimately to deploy its modest but growing self-defence forces abroad for the first time since the second world war.

The decision was the subject of more than 18 months of bitter parliamentary debate. During that time Japan - much to its government's embarrassment - was unable to play anything more than a financial part in the Gulf war. The fact that Japanese politicians have been stung into recognising the need for a physical as well as a financial contribution to international action is significant. It is only with this kind of experience, gathered cautiously over a substantial period of time, that Japan will reach a serious debate about how the country is to exercise its power in the world and its immediate region.

## Security needs

These are deep and dangerous waters, and wading into them requires diffidence. Japan is not, for one thing, on the point of developing much of a foreign policy of its own. Any international deployment of its forces will be strictly wrapped in the UN flag and in all other respects Japan continues to depend overwhelmingly on the US for its security and other foreign policy needs.

But that observation itself begs a question which may, in the next few years, become more insistent: how durable is the US-Japan relationship? Japanese officials are inclined to brush such doubts aside. Equally, no country in the region, including China, wants to see a re-emergence of Japan as a regional power. The argument runs: if everyone wants the US to stay then the US will stay.

## Time to review the regulators

THE CUSTOMERS of UK utilities are almost daily assailed by headlines alleging profiteering and poor service. Electricity generator PowerGen's profits are up 30 per cent in the depths of a recession. Complaints about the behaviour of the water companies have doubled. British Gas stands accused of "ripping off" the customer by failing to cut gas bills fast enough as inflation falls. Are Britain's regulators doing enough to protect the hapless consumer from the predations of monopolistic, privately owned public utilities?

The shareholders of these utilities probably see things rather differently. Millions of Sids who bought British Gas shares find the pricing formula enforced with unforgiving ferocity. BT faces the third tightening of its price cap since privatisation with ever more services subject to control. Dividends paid to water shareholders could be restricted under proposals that the companies should finance a higher proportion of investment through debt. Are Britain's regulators running amok, tearing up the prospectuses published when the utilities were privatised?

The truth lies somewhere between Britain's regulatory system is evolving. Experience has shown that simple "RPI-X" price caps, which limit price rises to X per cent below the rate of inflation, have often required refinement to curb monopoly profits. The "X" factor has needed to be increased in some cases (from 3 per cent to 7.5 per cent in the case of BT). The basket of prices encompassed by the formula has grown fuller. Quality criteria have been added, and regulators now enforce service standards.

## Social requirements

Other public policy issues have arisen. The regulator may attempt to promote investment in infrastructure like fibre optical cabling, for example, in the utilities which provide basic necessities, there are social requirements to offer special services to the old and the disabled. Water prices are being increased by more than the rate of inflation to invest in much higher levels of water purity.

Finally, most of the regulators are rightly required to work towards their own abolition by creating the conditions for more competitors to thrive. Ofgas has pressed British Gas to open up

This line of reasoning may be plausible, but its converse is hardly unthinkable in a period which lacks the galvanising polarities of the Cold War and features an unremitting stream of economic tensions which has made Japan such a volatile factor in American politics.

The US did not find it unthinkable to shut down its previously vital naval facilities at Subic Bay in the Philippines last year and it needs to be borne in mind that it is encouraged to keep troops in Japan by the substantial sums the Japanese government pays towards their upkeep.

## Unsettling events

Moreover, even if the US relationship is as solid as Japanese officials claim, they are well aware that continuing stability in their immediate neighbourhood is scarcely guaranteed. It is not hard to think of events that might occur in north or east Asia before the century is out, that could seriously unsettle the entire region: from reunification of the Korean peninsula to a large-scale upheaval in the Chinese leadership. It would be remarkable if in all these possible crises, the US and Japan saw complete eye to eye. The possibility of Korean unification, for example, is already causing ripples of concern in Tokyo that seem to some observers to go beyond America's specific worries over North Korea's nuclear programme. Japan's substantial economic stake in the future of south-east Asia may also eventually translate into a political approach to the region which deviates from that of the US.

Such considerations are a far cry from the modest step into the international arena Japan has just taken. But it is, rather than hazy notions of international solidarity associated with the UN, that may be the real foreign policy preoccupations for Japan over the next few years. The wrangling over the peace-keeping bill is a small hint of the troubles the country has yet to face in coming to terms with its changing world role. It is in everyone's interest that Japan's emergence as a more vigorous world citizen is accomplished with appropriate tact.

more opportunities for competing suppliers. BT is constrained in its ability to compete with cable TV companies. The big two electricity generators face restraints on their ability to dominate regional supply markets.

All of these are legitimate objectives for regulation, though their import may not have been fully understood by managers or shareholders when the companies were privatised. Equally, those involved in creating the regulatory process may have underestimated the difficulties in applying light touch regulation to complex industries. That is why the picture is shifting, and why the regulators have at times appeared to move in different directions or at different paces. While all have held on to price caps, reflections on justifiable rates of return on capital have begun to feature. Such evolution is desirable, and the existence of several industry-specific regulators encourages diversity and experiment.

## Little scrutiny

However, all of this can be bemusing to the ordinary consumer or investor. There is astonishingly little scrutiny of the processes which have become so important to household budgets and industrial competitiveness. Much more of the information regulators use to make their decisions could be placed in the public domain without threatening commercial confidentiality. And parliamentary select committees could hold public examinations of the regulators after the publication of their annual reports. The appointment of regulators might also be subject to confirmation by these committees.

More fundamental scrutiny of each regulated utility is also needed from time to time, with the Monopolies and Mergers Commission well-placed to carry this out. However, the regulatory process itself also requires periodic scrutiny to establish how it is evolving and whether it is as effective as it can be.

The government should ask the Office of Fair Trading to review utility regulation. Its report, rich in research and analysis, would then provide an excellent basis for public scrutiny, by a parliamentary committee. This is the right way to build on the success of utility privatisation.

In Warsaw, where housewives once waited hours to buy the everyday necessities of life, the only queue nowadays is for jeans from the Levi Strauss boutique - at \$50 a pair. Nearby, in the shadow of Stalin's towering "Palace of Culture", giant tents house a supermarket and stalls selling everything from Beluga caviar to compact discs.

In central Budapest, the signs of new affluence are even more striking. Gleaming BMWs and Mercedes glide past shop windows filled with designer-label clothing, Mont Blanc pens and other icons of the status-conscious. Blink, and it could almost be Vienna or Milan.

In spite of the parlous state of local economies, such visions of plenty are increasingly common across central Europe. After years of enduring shortages, shoddy products and dreary shops, shoppers are tempted on every street corner by western consumer goods which have become tangible symbols of their liberation from communism.

For many western manufacturers, the attraction is mutual. In the past 18 months, large household name companies such as Coca-Cola, PepsiCo Foods, Levi Strauss, Philip Morris, BAT, Unilever, Procter & Gamble and Electrolux have moved in to Poland, Hungary and Czechoslovakia to acquire local production bases and distribution systems.

Though their strategies differ, all are making the same calculated gamble. By braving the region's political and economic uncertainties and often chaotic business conditions, they hope to come to dominate some of the fastest-growing markets of the future.

"Central Europe today is like America in the 1980s and Britain in the 1990s," says John Lindquist, a consumer industry specialist with the Boston Consulting Group. "There is a golden opportunity to establish brands and strong market franchises from scratch."

But what are the chances of the gamble paying off Hungary and Poland offer contrasting yardsticks. A much longer history of economic liberalisation has given the former a head start, but the latter's larger population makes its market potentially a much bigger long-term bet. Both, however, face many similar challenges.

In each country, much of the recent conspicuous consumption is froth on the surface of shaky economies gripped by a savage monetary squeeze. In Hungary, overall consumer demand has been plummeting for two years. In Poland, a retail boom has recently started to sag.

Equally, consumer spending is dominated by small elites who have rapidly grown rich by methods of varying legality, while much of the rest of the population has grown poorer. In both countries, as few as 10 per cent of consumers are estimated to control half the purchasing power.

Gabor Varszegi, an entrepreneur who is probably Hungary's wealthiest man, reckons the easy killings will soon be over. Having rapidly built an empire by setting up photo-processing and cosmetics shops and importing luxury goods such as Ray-Ban sunglasses - which he sells for three times the US price - he says his next moves will be outside consumer markets in areas such as energy supplies.

Some of the pain among the very poorest classes has been eased by flourishing black economies, visible in continuing large volumes of smuggled imports which often sell at bargain prices. Until recently, the Polish and Hungarian governments have accepted such activity as an

antidote to social friction. However, the budgetary costs of doing so are rising.

In a desperate effort to raise revenue, both governments have piled taxes on locally produced goods. However, higher prices have simply encouraged smuggling. In coffee-loving Hungary, where the drink carries heavy taxes, about 40 per cent of the market is supplied by illegal imports. There is also a darker side. In Poland, where the customer service has an unenviable reputation for corruption, cigarette smuggling has acquired the hallmarks of highly profitable organised crime.

Such developments raise a basic question. Can central European countries build efficient and competitive markets which will support the solid wealth creation needed to fuel rising consumer demand? Or will they become candyfloss economies, shaped by the values of local yuppies, wheeler-dealers and a sleazy assortment of cronies?

The role of the multinational investors may be decisive. Though still small in numbers, only they possess the skills and resources required to translate the goals of economic reform swiftly into functioning business reality. Furthermore, in countries desperately short of practical experience of capitalism in action, the local operations of multinationals are the only role models at hand.

The impact of consumer products companies is particularly crucial. Because their activities directly affect the daily lives of millions of people and require an extensive distribution, marketing and sales infrastructure, they impinge on local economies across a wide front.

Many of them have been acquisitions in central Europe as a quick way to achieve market share - a goal helped in Hungary by the rushed privatisation of some near-monopoly producers such as NMV, a margarine producer bought by Unilever and Ferruzzi in February. However, such monopolies face growing competition from imports and newly arrived western manufacturers. Local production also enables goods to be priced at affordable levels - typically about two-thirds of those in the west. But the condition of plants varies widely. A few were so bad that their new western owners scrapped them. Others have required limited work to achieve acceptable standards.

Most western newcomers are impressed by the quality of local employees, many of whom are technically proficient, adaptable and eager to learn - though woefully lacking in financial and marketing skills. But few companies have yet seriously tackled the over-manning which exists in many plants - an especially sensitive issue in Poland, with its politically powerful trade

union movement.

Obtaining indigenous raw materials is relatively easy - suppliers just turn up outside the factory gate. But importing can be much more problematic, particularly in Poland, where western manufacturers complain of long delays at customs unless they pay bribes.

The toughest challenges, however, begin once goods leave the factory. Because local producers traditionally ignored sales and marketing, most larger western companies have had to recruit and train local sales forces and educate retailers in how to promote their products from scratch.

Much the biggest headache is physical distribution. In Poland, state-owned monopoly wholesalers

## Western groups are building brand names in central Europe, says Guy de Jonquieres

## From bare shelves to blue jeans

What's in store for central Europe

Company	Target	Value (\$m)
Unilever (UK/Netherlands)	Margarine, soap and detergents	100
Procter & Gamble (US)	Soap and detergents	100
Ferruzzi (Italy)	40% each of Sunkist, sugar factory, Serravallo food factory and Maltipasta	40
BAT (UK)	Polish factory	30
Telecel (UK)	30% of Telekomunikacja	30
Heinz (Switzerland)	97% of Harnischfeger	NA
United Biscuits (UK)	84% of Gfory-Kalusz	100

Company	Target	Value (\$m)
Unilever	Polish soap and detergent	44
Ferruzzi	40% of Sunkist	40
Heinz (Germany)	Polish soap and detergent	18
Gerber (US)	Alfa	33
Beckmeyer (Germany)	Polish soap and detergent	9

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Values include commitments to further investment where published. More than 50% acquired where no percentage is given. \*800m paid for 40% stake; later raised to 100% for undisclosed further amount.

collapsed almost overnight after liberalisation. In Hungary, the process has been more gradual, as former regional monopolies - some of which own shops - have retreated in the face of competition.

But though the privately owned businesses which have sprung up to fill the gap are often energetic and enterprising, most are poorly financed and organised. "Nobody has any capital and nobody takes credit," says Andrzej Swarczewski, a small Dutch-Polish company which markets products for Mars, the US food company. "We have started to extend credit, but we go to bed with the thought that if a wholesaler goes bust, so do we."

Many bigger companies are training local wholesalers. Even so,

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## The shrewdest deal for Docklands

The government can drive a bargain, says John Plender

Environment Secretary Michael Howard has declared that the decision to move government employees to Canary Wharf will be taken on hard-nosed value for money grounds. But what does value for money mean when the government itself has the power to transform the viability of the troubled development simply by moving civil servants down-river and proceeding with the Jubilee Line? There is a risk that Whitehall negotiators will, in the jargon of the property market, undervalue their own 'covenant': their status as providers of the most reliable income stream in commercial property.

The government's bargaining position at Canary Wharf is overwhelmingly strong. There is no other comparable tenant in sight. That points to a rock-bottom initial rent and flexible lease terms that exclude upward-only rent reviews. But that is not enough. Simply by moving people eastward in bulk, the government will be creating capital value. Ministers have it in their gift to reduce the banks' write-offs and provide a profit for any successor to the Reichman.

A private sector tenant in a comparable position would exploit the fact by taking an equity interest as a reward for restoring a lane duck. There is no reason why the government should not do the same. If enough space is taken to alter the scheme's finances materially, should a developer try to buy Canary Wharf from the administrators, he would inevitably seek to treat with government, not least in its capacity as a potential tenant. The government would be selling the taxpayer short if it failed to respond commercially.

The negotiation of the relative

equity stakes would hinge on valuations of Canary Wharf with and without the government adjusted for respective contributions to the Jubilee Line. The state's equity interest could then be subject to an agreement to sell on completion of the whole scheme. Alternatively, it could be securitised - turned into the equivalent of a unit trust for institutional investors just as American mortgages are turned into mortgage-backed securities.

Yet none of this is likely to happen. First, Lord Wakeham, who co-ordinates government efforts on Canary Wharf, has asked the administrators to negotiate with Whitehall departments individually. This brilliantly undermines the government's negotiating strength by inviting the opposition to divide and rule. Then there would be practical objections about valuation. Such things, invariably surmountable in the private sector, are taken frightfully seriously in Whitehall. Finally, there is the ideological hang-up. Ministers feel that entrepreneurial activity by the state contradicts the logic of privatisation.

The government's property advisers might well respond by suggesting a less conspicuous form of equity. It would be possible, for example, to structure the lease so that rents rose to, say, 70 per cent instead of 100 per cent of market value on periodic rent reviews. The snag is that while this *de facto* equity would have been valuable in the industrial property market of old, the huge oversupply of London offices makes it of questionable worth today. The value that the government should be seeking to capture derives less from rental inflation than from further development many years down the line.

There are other opportunities to

manage existing government assets more imaginatively which seem equally unlikely to be grasped. A feature of today's otherwise severe property slump is that there are plenty of buyers for property let to first class tenants. No better tenant exists than the government, since its creditworthiness is supported by the power to tax. At a time when the impetus behind the privatisation of state corporations is inevitably waning, the sale and leaseback of more government property would be an attractive way of taking pressure off the gilt-edged market. It would reduce funding costs and make the fiscal convergence criteria of the Maastricht agreement - if they survive the present Danish fracas - more easy to attain.

There are plenty of so-called trophy buildings, the kind that appeal to big international investors in the government's portfolio. Whitehall has a stunning collection of them. Yet the ownership of the land, bricks and mortar in Whitehall is still sacrosanct, untouched by the Thatcher revolution and undisturbed by Majorism. This seems odd. Unlike the coal industry or British Telecom, the building that houses HM Treasury is no more than a passive asset. The only reason that the City is not humming with plans to privatise or securitise Great George Street is that it is simply unthinkable. The objections are all based on the idea that government tenants are somehow different - arguably true of the Ministry of Defence, but not of much else.

Perhaps the Number 10 policy unit could summon up a shocking thought or two, to help ease the government's funding burden. Selling the ground from under the Treasury would bring a whole new dimension to Whitehall's turf war.

## GT INVESTMENT FUND

Société d'Investissement à Capital Variable  
Registered Office: 2, boulevard Royal, L-2953 Luxembourg  
R.C. Luxembourg No B-7443

Notice is hereby given to the shareholders, that the

## ANNUAL GENERAL MEETING

of shareholders of GT INVESTMENT FUND will be held at the offices of Banque Internationale à Luxembourg, Société Anonyme, 69, route d'Esch, L-1470 Luxembourg, on Friday, 19th June, 1992 at 10.00 a.m. with the following agenda:

- To hear and accept the Reports of:
  - The Directors
  - The Auditor
- To approve the Report of the Directors for the year ended 31st December, 1991 including the Statement of Net Assets as at 31st December, 1991 and Statement of Operations for the year ended 31st December, 1991.
- To discharge the Board of Directors and Auditor with respect of their performance of duties from 1st January, 1991 to 31st December, 1991.
- To elect as Directors to serve until the next Annual General Meeting of Shareholders: D.R. FitzWilliam-Ly, A. Elvinger, J.A. Dick, M. Kij, Y. Hashimoto, H. Nakajima, D.N. Leidecker, J. Vroegop, F. Wagnon.
- To elect as Auditor to serve until the next Annual General Meeting of Shareholders: Coopers & Lybrand S.C.
- To declare a dividend in respect of the year ended 31st December, 1991.
- To approve the payment of Directors' fees of \$7,000 each.
- Any other business.
- Adjournment.

The shareholders are advised that no quorum is required for the items on the agenda of the Annual General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting.

In order to take part at the meeting of 19th June, 1992, the owners of bearer shares will have to deposit their shares five clear days before the meeting with one of the following banks who are authorized to receive the shares on deposit:

- Bayerische Vereinsbank A.G., Kardinal-Faulhaber-Strasse 1, D-8000 München 2
- Crédit Industriel et Commercial, 66, rue de la Victoire, F-75009 Paris
- Banque Internationale à Luxembourg, 2, boulevard Royal, L-2953 Luxembourg

THE BOARD OF DIRECTORS



Edward Mortimer

# The benefit of the doubt



FOREIGN AFFAIRS

One cannot always be in the right place at the right time. Last Tuesday, while the Danish voters were joyfully consigning their free copies of the Treaty of Maastricht to the shredder, I was in Mexico, forming part of the *comitiva* (entourage) of President Carlos Salinas de Gortari, on a visit to the north-eastern state of Tamaulipas.

Why Mexico? I had gone there, as readers of last week's Foreign Affairs may remember, at the invitation of the InterAction Council, the little-known trade union for retired heads of government. Having got there, I was keen to meet the president, having heard his policies praised as the model Latin American success story during my pre-Earth Summit excursion to Brazil.

In Brazil, as it struggles with chronic stagflation, they speak of Mexico with envy, even grudging respect. Mexico was where the great debt crisis started in 1982, but today it is clearly under control. While I was there, the finance minister was able to announce that he had reduced Mexico's public debt to 38 per cent of the gross domestic product, a lower proportion than in the largest industrial countries.

Inflation is in the middle teens (less than Brazil's monthly rate) and falling; privatisation and deregulation are well advanced; foreign investment is pouring in; negotiations for a free trade area with the US and Canada are almost complete; and growth has resumed - although critics are quick to point out that in per capita terms it is little more than 1 per cent.

President Salinas is proud of the fact that population growth has fallen to 1.9 per cent per year. But even at that rate Mexico has to run very fast to stand still. The population has more than tripled in 40 years, and here, as throughout the Third World, the increase takes the visible form of improvised shanty towns wherever there was vacant land in or close to the big cities.

Several of the president's engagements during his tour of Tamaulipas were meetings in these shanty towns, organised by the National Solidarity Programme, which he launched the day after he took office in 1988. It sprang from his Harvard PhD research in the 1970s, when he found that local variations in support for the ruling party could be correlated, not with gross social spending but with the direct involvement of the local population in planning and implementing social programmes. In essence it is a system of matching grants, whereby the state agrees to provide resources for projects - schools, clinics, housing,

Mexico has many of the features of a one-party state, but Salinas remains its only credible leader



Salinas: the president showed his political skill in withholding a promise to build a new oil refinery

potable water and sewage systems, electrification, etc - which groups of poor people propose and carry out themselves. In a period of cuts in state expenditure, it aims to allocate scarce resources so that they stimulate and reward local initiative.

The *comitiva* comprised some 30 or 35 people: local politicians, junior ministers, senior civil servants, private sector businessmen, a historian from the Colegio de México and a scientist who had done research on AIDS. On the platform at each meeting, whether in town square, factory or under the trees of a remote farming community, each of us found a chair bearing a typed label with his or her name on it.

From this privileged vantage point I could read the messages directed at the president, thanking him for his support with this or that project, but also imploring him to solve problems, uphold the rights of a Solidarity committee against local bureaucrats or, in the oil port of Tampico, promise to build a new refinery. (He showed his political skill by

withholding that promise - a decision for the board of Pemex, the state oil company, to take on strictly economic criteria - and yet making the crowd cheer his assurance that "your friend, the president of the public" would personally watch over their interests.)

Occasionally one could see the banners of a small opposition party. But conspicuous by its invisibility was the party to

**Conspicuous by its invisibility was the party to which the president himself belongs**

which Mr Salinas himself belongs, and which has ruled Mexico almost unchallenged since its foundation in 1929: the Partido Revolucionario Institucional (PRI). On the flight back to Mexico City I put it to the president that this was strange. In any other country one would expect his own party to be in the lead in welcoming the head of state when he tours the country, especially if (as is clearly the case with Mr Salinas) he has some popularity to cash in on. Yes, he said, that "used to be the tradition" in Mexico too, but party meetings had become "very rigid, with a lack of interest among the people... because they had almost no relation with what was

going on". By contrast, he explained, the people at the meetings I had witnessed were "those directly related to what is going on, and are mobilised through Solidarity committees, which are not party-related, because we are convinced that these committees reflect the pluralistic composition of the population, and they do not want the parties within the committees..."

There is no doubt that the PRI is active behind the scenes in the Solidarity programme, as in almost everything that happens in Mexico. A colleague told me how he came by accident on a squad of PRI militants in the midst of the countryside, toiling to finish a school building which Mr Salinas was due to inaugurate the following day.

Mexico still has many of the features of a one-party state. The press remains weak, the television respectful, and the number of journalists who meet violent deaths (not all ostensibly at least, for political reasons) has aroused the anxiety of PEN, the international writers' lobby. The opposition has clearly lost ground since the 1988 presidential election, which many believe Mr Cuauhtémoc Cárdenas would have won if the votes had been honestly counted.

Mr Salinas worries about such things, too, or anyway about the effect they have on Mexico's image. He has set up a National Human Rights Commission, and he says he "would like to see more modern political parties". At the same time he is acutely defensive about Mexico's national sovereignty, evidently fearing that any qualification of it might be exploited by the US, for instance by attaching political strings to free trade.

So far the US has abstained from doing so, evidently considering that Mr Salinas is by far the best Mexican leader it is likely to get and that nothing would be gained by rocking his boat. "Generally Americans like to live in a democratic society with democracy and human rights," says one disillusioned Cardenas supporter, "but there are three exceptions to that: China, Mexico and Kuwait."

To such critics the good press that Mr Salinas gets at home and abroad, and especially the willingness of foreign liberals to give him the benefit of the doubt, is infuriating. "Why should what he says be taken on trust, any more than what Bush or Major or Kohl says?" the same person asked. The answer is that of course it should not. But the question is the wrong one. What one should ask is whether there is an alternative leadership and an alternative programme more likely to move Mexico in the direction of greater prosperity and greater freedom; and there the answer can only be that if there is one, it is not yet in sight.

## OBSERVER

### Outflow impending

Which of the folk who navigated Britain's water industry into the private sector will be the first to pull the plug on his career? Given all the fuss about water charges, the drought and generous periods, the chairmanship of a water ple is not the comfortable haven it may have seemed.

True, the stability - if not stagnancy - of the companies' chairmen since privatisation contrasts sharply with the rapid ebb and flow among their underlings. But a few top retirements could well soon be in the pipeline.

North West Water's chairman Dennis Grove, for one, is 63 next month and so it would be no surprise if he asked to be relieved of further duty. His deputy, Littlewood's chief executive Desmond Pither, would make an admirable replacement.

Moreover, several of Grove's counterparts in the other companies are also well into their 60s, and must be wondering whether it's worth swimming on, especially if they are not going to land knighthoods.

If they decide to go, Observer will be interested to see whether it proves as easy to recruit the next generation of chairmen as the first. After all, now the industry is privatised there's less need for a full-time chairman as well as a chief executive. Hence the rate for the job should drop, even though the complaints look likely to go on rising.

### Taking over?

What's in a title? That's the question Rothschild-watchers are asking after a curious reshuffle at the top of the

North American end of the investment banking empire. Transatlantic deal-maker Robert Pirie - who had been chief executive of both Rothschild Inc and its parent Rothschild North America (RNA) - has been promoted to co-chairman of the US holding company while continuing as chairman of the flagship subsidiary.

The 58-year-old Pirie, who has cut deals for everyone from Lord Hanson and Sir James Goldsmith to the late Robert Maxwell, remains chief executive of both entities. But Gerald Goldsmith, an executive managing director of Rothschild Inc, is being given the new titles of president and chief operating officer of both Rothschild Inc and RNA.

In London, Sir Evelyn de Rothschild is full of praise for Pirie's takeover talents, but notes that Goldsmith is going to be the key man handling day-to-day operations. Sir Evelyn, who will become chairman of the US executive committee, is giving up his co-chairman's hat at RNA so that Pirie can wear it, along with the Paris-based Baron David de Rothschild.

Pirie himself notes that he and Goldsmith are old friends who've worked together for 10 years - and will go on doing so on day-to-day matters. The reshuffle, says Pirie, "doesn't mean anything."

### Marshall's law

No doubt the great and the good attending today's CBI conference on corporate governance will continue to huff and puff about the need for non-executive directors. But are the institutions which put up the money doing any more than pay lip service to the idea?

Take yesterday's £20m rights issue from Marshalls, the Halifax-based building



"That's the best I can do - Robert Maxwell took the rest with him"

materials firm. After 22 years at the helm, David Marshall stepped down as chairman last year handing over to brother Andrew. Although the Marshall family does not have a huge stake in the company, six out of the eight directors in its last annual report were called Marshall.

Like most firms in its industry, Marshalls is going through a bit of a rough patch and it might have been thought that the City would insist on a few non-executive directors to keep an eye on the shop in return for underwriting the new capital. However, adviser Samuel Montagu insists that "these guys are straightforward Yorkshire folk" and sees no need for them to bow to the latest fashion.

### Chain of events

Publishing group Emap is a prolific launcher and buyer of magazines. Purchases alone have brought it 17 consumer magazines, 28 business magazines and five newspapers in the past half-decade. But its pride and joy, besides being

much the most profitable is Motor Cycle News, a tabloid bought in 1955 for £250. Quite the reverse of a glossy, it is definitely the favourite of Emap's group chief executive Robin Miller who was once its editor. He still likes to roar about town on test bikes supplied to Motor Cycle News.

The weekly, whose financial success is based on small ads for second-hand bikes, was founded by Cyril Quattrill who, unable to make a go of it, sold it on to a printer. Some time later, the printer sold it to Emap.

But the present owner finally bumped into the creator of the money-spinner a couple of years ago on buying the south England local press group *Sensews*.

It was discovered that Quattrill, then aged 70, still worked as a sub-editor on the acquisition's paper in Hastings.

Whereupon Emap's top brass mobilised for a trip there to present him with a silver figure of an old motor-cyclist sporting the inscription "Motor Cycle News". The figure cost far more than Emap had paid for the title.

### Knock, knock

Stumped by a breakdown, the manager of a process plant sent for the retired engineer who'd set it up and still lived near by. After a brief inspection, he took a hammer, hit a pipe above his head, and the plant began working again. The manager thanked him, and told him to send his bill.

When it arrived the next day for no less than £1,000, the horrified manager rang him, protesting that it was a lot to charge for one hammer-blow. "Oh no," the engineer answered. "Only £1 of it is for hitting the pipe. The other £999 is for knowing where to hit it."

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Regulator must act on water

From W A G Spicer.  
Sir, In your article, "And not a drop to spray: The water crisis in the UK" (May 30), you commented on the profits and dividend increases being reported by various water companies.

Pride of place was awarded to the East Surrey Water Company, whose profits and dividend increased by 42 per cent and 19.5 per cent respectively. These figures should come as no surprise given that increases applied at April 1 1990 and April 1 1991 resulted in a cumulative increase of approximately 69 per cent: the Retail Prices Index increase was only a fraction of this figure.

In my view competition in the marketplace is an essential ingredient of the free enterprise system. Water companies enjoy an absolute monopoly in their supply area and were not appropriate candidates for privatisation. It is not surprising that, at a time when many large companies subject to the rigours of competition in a severe recession are reporting markedly reduced profits, the water companies are prospering.

Unless there is some really effective action by the industry regulator the prospects for the customer are bleak indeed with ever escalating charges and little to show for it.

W A G Spicer,  
6 Montrose Gardens,  
Caxton,  
Leatherhead,  
Surrey KT22 0UU

### Absurdity which stultifies the role of UK company boards

From Sir Ronald Grierson.

Sir, Sir Owen Green has done such an excellent demolition job (Personal View, June 9) on the absurdities of the Cadbury Report that very little remains to be added. There is, however, one aspect on which he touches only lightly and which in my opinion deserves greater emphasis.

British corporate governance differs from that of most other countries in its implicit (and sometimes quite explicit) assumption that boards of directors determine policy while management - a lower grade - see to its implementation. Hence the reference in

the Cadbury Report to boards "driving their companies forward".

Nowhere else is such an assumption made or accepted. I have myself had the privilege of serving on boards of three of America's biggest corporations: the notion that their members were "driving" anything in any sense would strike them as quite odd. In the US and on the European continent management is top-dog for both policy and implementation - and enjoys the accompanying prestige - while boards, though possessing the ultimate deterrent, confine themselves in practice to

ensuring that management does not run amok.

The British custom of attributing prestigious policy functions to board members has many consequences, some of which give rise to the very problems analysed in the Cadbury Report. Perhaps the most absurd of all is that it compels senior managers to perceive board status as the ultimate and indispensable prestige symbol, thereby partly stultifying the essentially supervisory role which corporate boards should be performing.

Ronald Grierson,  
27 Grosvenor Crescent, London SW1X 7EX

### Graduates should think smaller

From Dr J Marshall and Mr R Hanage.

Sir, The otherwise excellent article by Andrew Adonis ("School's out", June 8) the plight of graduates in the 1990s failed to recognise that there is a huge potential market for graduates in small businesses in the UK.

Unfortunately, owner/managers of small businesses are still daunted by the prospects of using a graduate, and many graduates believe that success in job-hunting is measured mainly by the size of the company they join. This is often reinforced by parents giving the strong impression that you only have a "proper job" if you

work for ICI or Marks and Spencer.

The experience at Durham is that when we do succeed in getting a graduate into employment in a small company, it nearly always works very well for both the business and the graduate. Many stay with the businesses for several years, and even when they move on they usually opt to stay in the small company sector.

As more and more graduates come on to the market we need to redouble our efforts to open up these opportunities via increased use of various programmes such as STEP, the "Teaching Company Scheme", and the "Graduate Associate Programme". John Marshall, director, Richard Hanage, programme manager, Durham University Business School

### Croydon was saved too

From Mr George Nicholson.

Sir, Vanessa Houlder (Property Market, June 8) is not comparing like with like on the similarities or otherwise of Docklands and Croydon. The situation in Croydon in the early 1970s was very similar to that of Docklands today. Developers, having built an enormous amount of speculative office space, faced the prospect of buildings standing vacant. It took Home Office and the Department of the Environment intervention to save the situation. I know. I was one of the unfortunate civil servants who had to work there.

George Nicholson,  
6 Copperfield Street,  
London SE1 0EP

### Jubilee Line extension much more than just Canary Wharf link

From Councillor Sally Keeble.

Sir, Your article on the extension of the Jubilee Line ("No jubilation at the end of the line", June 6) fails to recognise its wider benefits.

The extension would serve not only Canary Wharf but also the growing City overspill on the south bank, and the Surrey Quays areas of Docklands, as well as provide a much needed rail extension to Greenwich.

On a wider level it is impor-

tant in the strategic development of east London, including Stratford with its Channel Tunnel rail link with Europe.

Through its connection with the proposed East London line extension, it would link new areas of London into the underground network - especially those with high unemployment, including Peckham and Hackney.

Lack of proper transport facilities has long been both a bar to people in these areas

getting access to jobs elsewhere, and also a deterrent to prospective employers moving into the area.

Councils that lie along the planned extensions of both the East London and Jubilee Lines support the developments for very obvious social and economic reasons. We have also won the support of private sector employers which share our concerns that the future development and success of London will depend on the provision of

proper infrastructure - especially transport.

The problems facing Canary Wharf should not blind planners to the fact that London - like the Financial Times - is moving southwards and eastwards. The underground network must move with it.

Sally Keeble,  
leader,  
Southwark Council,  
Southwark Town Hall,  
Peckham Road,  
London SE8 5UB

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## INTERNATIONAL COMPANIES AND FINANCE

## Galeries Lafayette seeks rest of unit

By Alice Rawsthorn in Paris

GALERIES Lafayette, one of France's most famous chains of department stores, is launching a FF7.15bn (\$1.34bn) offer for the remaining shares in Nouvelles Galeries, the retailing group it won control of last year after a fierce takeover battle.

Galerias Lafayette paid an estimated FF2.15bn last summer for a controlling 72.5 per cent holding in Nouvelles Galeries' voting shares. It is offering FF650 a share for the

remaining 1.1m shares. Nouvelles Galeries owns a string of regional department stores and controls the BHV store in the Marais area of central Paris. A group of Nouvelles Galeries' major shareholders - including Société Générale and Banque Nationale de Paris, the big French banks, and Devanay, the textile group that battled against Galeries Lafayette in last year's bid - have already accepted the offer. Devanay fought for two months against Galeries Lafayette for control of Nouvelles

Galeries in a battle that wound up in the law courts. Galeries Lafayette is offering the same price - which is significantly higher than the FF550 at which Nouvelles Galeries' shares were suspended yesterday - to the public shareholders who control the remaining 496,298 shares in a public tender offer.

The offer for Nouvelles Galeries comes shortly after the takeover of Au Printemps, the chief competitor to Galeries Lafayette in the French department store sector, by Finisat,

the acquisitive distribution group. Other leading French department stores - including An Bon Marché, a subsidiary of Mr Bernard Arnault's Agache, and Samaritaine - are engaged in aggressive marketing campaigns to protect their positions.

Galerias Lafayette, which has opened a flagship department store on Fifth Avenue in New York, recently forecast a doubling of net profits, from FF84.5m in 1990 to FF177.2m in 1991, on total turnover of FF17.5bn.

## Telegraph issues pathfinder prospectus

By Maggie Urry in London

THE OFFER for sale of The Telegraph, which owns the UK's largest selling daily quality newspaper, will cut the stake held by Mr Conrad Black's Hollinger Group from 37 to 28 per cent. Hollinger will not then sell more shares, at least until the next accounts are published.

The pathfinder prospectus issued yesterday promised investors a 10p net dividend for the current year, up from 9p for 1991. The prospectus shows that earnings per share for 1991 were 25.4p, or 20.9p on a fully-taxed basis.

Pricing of the offer will be announced in the final prospectus, to be published on June 23. But analysts yesterday suggested the shares would trade around a market value of £240m.

That indicates a value for the group of around £440m (£722m with Hollinger's stake of 28.5m). The new shares are being issued.

Trading prospects for the group depend for the foreseeable future, the prospectus says, on the main titles' ability to increase advertising revenue which has been depressed in the recession. Pre-tax profits were £40.5m in 1991, up from £28.5m in 1990 and near to the 1989 peak of £41.5m.

Analysts said the offer should not suffer seriously from Monday's announcement that the Hollinger Group Newspapers will be the subject of a Department of Trade and Industry investigation. Mr Black made it felt his duty to look at buying the Mirror but was not enthusiastic at the prospect.

Applications in the public offer will close on July 1 and dealings should commence on July 8. Half the 28m shares to be sold will be offered to the British public. The rest of the shares will be placed with institutions, mainly in the UK but also in Canada.

Mr Rothschild is the merchant bank to the issue and Casanova and Panmure Gordon are the brokers.

## Viag takes stake in Swiss shipping, freight concern

By Christopher Perkins in Geneva

VIAG, the fast-growing German conglomerate, is to enter the international shipping, freight and warehousing business through the purchase of a one-third stake in Kühne & Nagel (K&N).

The German group, which is understood to have an option on a further 10 per cent, will shepherd the Swiss-based concern to a flotation within the next three years. Terms were not disclosed.

The deal constitutes a rapid change of partners for Mr Klaus-Michael Kühne, sole owner of K&N since the start of this year, when he bought back a 50 per cent stake held by the Lönch group.

Mr Kühne had since sought "advice and protection" in preparation for going public, according to sources close to the negotiations.

K&N sales last year rose 13.4 per cent to SF8.8bn (\$3.3bn), although net income fell 43 per cent to SF19.6m because of a one-off SF2.2m charge related to a reduction of the company's stakes in transport companies in Spain and Italy.

For Viag, the move lifts its tally of "core" businesses to eight. It presently relies on electricity and gas production and distribution for around half its earnings. Other main-stream operations include aluminium and chemicals, refractory products, glass, packaging and trade. Group sales and earnings rose over 20

per cent last year, thanks mainly to acquisitions.

The group's diversification programme, which has gathered pace since the state sold its 60 per cent stake five years ago, is designed to iron out the cyclical bumps in markets such as chemicals and aluminium and extend its earnings base outside Germany, which last year accounted for 54 per cent of sales.

K&N, which makes most of its profit from ocean freight, also has more than 1m square metres of warehousing and owns a modern container terminal in Rotterdam. The company has 400 offices in 70 countries and employs more than 9,000. Its Nacora subsidiary runs 16 insurance broking firms in 11 countries.

## Powergen's 32% advance stirs criticism

By Angus Foster in London

POWERGEN, the smaller of Britain's two privatised electricity generators, yesterday announced a 32 per cent increase in profits for last year, above market expectations.

Mr Ed Wallis, chief executive, said the increase was due to cost-cutting, price rises and a 50 per cent increase in direct sales to industrial users. "It's been a year of steady and substantial progress," he said.

However, the results were condemned as a "scandal" by Mr Frank Dobson, Labour's

shadow energy minister. "The profits show that electricity privatisation has become a legalised racket with huge profits for the shareholders and massive pay and perks for the bosses," he said.

Powergen's announcement kicked off the reporting season for the privatised electricity industry. Labour is expected to keep up its attack on National Power, the other generator, and the 12 regional electricity companies report profit increases of up to 40 per cent, partly helped by one-off price factors.

Powergen increased pre-tax profits from £372m (\$495m) to £559m in the year to March 29, its first full year as a private company. Turnover increased 14 per cent from £2.85bn to £3.21bn, helped by average price rises of 9 per cent.

The company cut its workforce by more than 2,000 people to just over 6,000 during the year, leading to a 12 per cent increase in manpower productivity. Mr John Bennocks, finance director, said another 1,000 jobs would go "over the next two to three years".

Exceptional provisions of £24m were made to cover future redundancies and closure of older power stations.

However, the provisions were almost matched by exceptional profits of £58m from two power stations which were closed in March.

The company's shares fell 4p to 249p on profit-taking after a strong run. Earnings per share increased 35 per cent from 23p to 31p. Powergen is recommending a final dividend of 6.5p to make a total of 9.25p. Last year a final dividend of 5.5p was paid due to the privatisation timetable.

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## Deutsche Airbus turnover climbs 18% to DM5.1bn

By Daniel Green

DEUTSCHE AIRBUS, one of the two biggest partners in the consortium that builds Airbus civil aircraft, saw turnover rise 18.3 per cent last year, to DM5.1bn (\$3.2bn).

Profits for 1991 were DM421m, compared with a 1990 loss of DM376m. Profits this year, however, would be lower than in 1991, warned Mr Hartmut Mehdorn, president, despite higher sales.

He attributed the improvement mainly to higher deliveries of parts for Airbus and Netherlands aircraft company, Fokker, as well as cost-cutting. The company is retaining this year's profits to help rebuild equity capital and reserves.

Mr Mehdorn said it had used international currency futures markets in an attempt to limit the effect of exchange rate fluctuations on its profits. Aircraft sold internationally are paid for in dollars and the Airbus programme accounts for 80 per cent of turnover.

The company is 80 per cent owned by Dasa, the aerospace division of Daimler-Benz. It has been trying to establish more Airbus production lines in Germany. It said final assembly of the new Airbus model, the A319, would "strengthen the position of the German aeronautics industry in Europe".

Dasa will acquire the 20 per cent of Deutsche Airbus it does not own from the state-owned Reconstruction Loan Corp (KfW) in 1996.

## Fokker, Dasa talks on transfer deal progressing

By Ronald van de Krol in Amsterdam

FOKKER, the Dutch aircraft builder, and Deutsche Aerospace (Dasa) of Germany, reported yesterday that they have made progress in negotiations aimed at a transfer of a 51 per cent stake in the Dutch company in return for fresh funds to finance the development of new aircraft.

After talks in Amsterdam, the two sides reaffirmed that Fokker would be the "lead company" in the regional aircraft segment, but they also understood that Dasa would have "industrial leadership" of the overall partnership. This formula, which secures leadership roles to both companies, is emerging as the most promising way to get around Dutch sensitivity to the transfer of one of the country's premier industrial companies into foreign ownership.

The talks which began in March, have been hampered by a seeming difference in interpretation of Fokker's role in a future European aeroplane-building consortium. The controversy has fanned national sentiment in the Netherlands against the proposed deal.

The two companies said the talks would be concluded before the summer holidays. The Dutch government, which owns 28 per cent of Fokker, is prepared to see a majority of Fokker's shares pass into German hands, but it is keen to secure guarantees about the company's future role.

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## Bank to buy Aérospatiale holding

By William Dawkins in Paris

CREFIT Lyonnais, the French state-owned bank, has agreed to take a minority stake in Aérospatiale, the debt-laden, government-controlled aircraft maker.

The investment is likely to attract the scrutiny of the European Commission in its continued vigilance against state industrial subsidies, though Brussels is unlikely to block the scheme if it conforms to a previous judgment.

Although Crédit Lyonnais and Aérospatiale said they had agreed on the cash injection in principle, they would not confirm French press speculation that the bank would pay FF1.5bn (\$280m) for a 10 per cent stake in the aircraft

maker. However, an Aérospatiale official said: "Those figures are not ridiculous." It was up to the French Treasury to decide the financial details, said both companies.

Aérospatiale needs cash because heavy industrial investments in recent years have driven up its net debts to FF14.5bn, just over twice its FF6.8bn shareholders' funds. Profits recovered last year, to FF213m net, from a FF196m loss in the previous year but, new orders fell 50 per cent.

A cash injection of the size envisaged will not dramatically improve Aérospatiale's balance sheet. Yet any reduction in the pressure on its spending is likely to be welcomed by its partners in the Airbus consortium, where a squeeze on

future funding is known to be jeopardising the development of a new European airliner.

Brussels last year examined similar funding operations, in which Crédit Lyonnais took a stake in Unior Saclor, the government-owned steel group, and Banque Nationale de Paris (BNP) invested in Air France, the national airline. In November the commission found the Unior Saclor deal was not a disguised state aid, but has yet to complete its examination of BNP's investment. The banks claim these are commercial investments, which they would have made even if the state did not own the parties involved. The government argues the state has the same right as a private shareholder to fund companies in need of cash.

## Club Med sees FF240m profit

CLUB Méditerranée, the French leisure group, estimates it will have net attributable profit of FF240m (\$45m) and turnover of FF16.4bn in the 12 months to October 31 this year, Reuter reports from Paris.

The company also estimates

## NEWS IN BRIEF

It will have a net attributable profit of FF240m on turnover of FF16.4bn in the first half of fiscal 1992.

Last year, Club Med posted a net attributable loss of FF17m on sales of FF17.5bn.

REFSOL, Spain's state-owned petrochemicals company, will

concentrate in coming future years on expanding international operations, but has no intention of diversifying from existing activities, Mr Oscar Fajal, the chairman, said yesterday, Reuter reports from Madrid.

"To date we have consolidated in Spain but now international expansion will be a basic goal," he told the annual meeting.

All of these securities having been sold, this announcement appears as a matter of record only.



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June 1992

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(the "Company")

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and  
U.S. \$300,000,000  
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U.S. \$500,000,000  
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U.S. \$320,000,000  
4% Bonds Due 1994

each with Warrants to subscribe for shares of common stock of the Company

Pursuant to Clause (b) of the Trust Deeds relating to the above-mentioned Convertible Bonds (the "Convertible Bonds") and Clause (a) of the Instruments relating to the above-mentioned Warrants (the "Warrants") and to the rules of the Luxembourg Stock Exchange, notice is hereby given to the holders of the Convertible Bonds, the Warrants and of the above-mentioned Notes and Bonds (each Notes and Bonds, together with the Convertible Bonds, being hereinafter referred to as the "Securities") that the Company has entered into a merger agreement with Nippon Stainless Steel Co., Ltd., an affiliate of the Company ("Nippon Stainless"), on 7th May, 1992, under which Nippon Stainless shall be merged into the Company. The merger agreement will take effect subject to approval by the general meetings of shareholders of both companies to be held on 28th June, 1992.

Pursuant to the merger agreement, all rights, obligations, assets and business of Nippon Stainless will be transferred to the Company on 1st October, 1992, subject to the commercial registration of the merger being made with the appropriate Legal Affairs Bureau under the Commercial Code of Japan. Such registration is expected to be made in the second half of December, 1992, whereupon Nippon Stainless will be dissolved.

Following this merger, the assets of the Company will remain unchanged and therefore there will be no exchange or redemption of the Bonds or the Warrants. The Bonds and the Warrants will continue to be listed on the Luxembourg Stock Exchange under their former designations. The Company will keep its engagements regarding the payment of the principal of and interest on the Bonds.

The shareholders of Nippon Stainless will be entitled to exchange each share of common stock of Nippon Stainless held by them for two shares of common stock of the Company to be issued pursuant to the merger. No shares or other securities or property will be deliverable to the shareholders of the Company upon or in connection with the merger. The merger will not affect the rights of the holders of the Bonds or the Warrants nor does it affect the conversion prices of the Convertible Bonds or the subscription prices of the Warrants.

Sumitomo Metal Industries, Ltd.  
By: The Sumitomo Trust and Banking Company, Limited  
as the Fiscal Agent

Dated: 10th June, 1992

## To the Holders of each of NIPPON STAINLESS STEEL CO., LTD.

U.S. \$100,000,000

4% Guaranteed Notes 1992  
and Warrants issued therewith to subscribe for shares of common stock of Nippon Stainless Steel Co., Ltd. ("Warrants 1992")

and  
NIPPON STAINLESS STEEL CO., LTD.  
U.S. \$100,000,000

3% Guaranteed Notes 1993  
and Warrants issued therewith to subscribe for shares of common stock of Nippon Stainless Steel Co., Ltd. ("Warrants 1993")

and  
NIPPON STAINLESS STEEL CO., LTD.  
U.S. \$100,000,000

4% Guaranteed Notes 1995  
and Warrants issued therewith to subscribe for shares of common stock of Nippon Stainless Steel Co., Ltd. ("Warrants 1995")

(together the "Notes")

Pursuant to Clause (a) and (b) of the Instruments relating to the above issues and the rules of the Luxembourg Stock Exchange, notice is hereby given that Nippon Stainless Steel Co., Ltd. ("Nippon Stainless") entered into a merger agreement with Sumitomo Metal Industries, Ltd. ("Sumitomo Metal") on 7th May, 1992 (Japan time, the same is hereinafter applicable) under which Nippon Stainless shall be merged into Sumitomo Metal.

The merger agreement will take effect subject to approval by the general meetings of shareholders of both companies to be held on 28th June, 1992.

Pursuant to the merger agreement, all rights, obligations, assets and business of Nippon Stainless (including all the obligations of Nippon Stainless under the above-captioned Notes and Warrants) will be transferred to Sumitomo Metal on 1st October, 1992, subject to the commercial registration of the merger being made with the appropriate Legal Affairs Bureau under the Commercial Code of Japan. Such registration is expected to be made in the second half of December, 1992, whereupon Nippon Stainless will be dissolved and Sumitomo Metal will be obligated to pay principal of, and interest on, the Notes.

The holders of record of shares of common stock of Nippon Stainless at 1st October, 1992, will be entitled to exchange each such share held by them for two shares of common stock of Sumitomo Metal and the holders of the above-captioned Warrants will be entitled from 1st October, 1992 to subscribe, upon exercise, for shares of common stock of Sumitomo Metal at the adjusted subscription prices mentioned below. However, such new shares will not be issued until the commercial registration mentioned above has taken place. Pending such commercial registration, the subscription rights to be granted to the holders of these Warrants upon exercise thereof will be listed on the Japanese stock exchanges on which shares of common stock of Sumitomo Metal are listed and may be traded on these stock exchanges.

As a result of the merger the subscription prices set out in the above-captioned Warrants will be adjusted to the following subscription prices per Sumitomo Metal share, which will become effective as from 1st October, 1992.

Warrants 1992 Warrants 1993 Warrants 1995  
Current Subscription Price Yen 914.2 Yen 1,432.2 Yen 862.0  
Adjusted Subscription Price Yen 457.1 Yen 716.1 Yen 446.0

Neither the Notes nor the Warrants of the above issues will be stamped or exchanged. Instead they will remain listed on the Luxembourg Stock Exchange under the name of Nippon Stainless followed by the name of Sumitomo Metal as the continuing corporation.

Nippon Stainless Steel Co., Ltd.  
By: The Sumitomo Trust and Banking Company, Limited  
London Branch

Dated: 10th June, 1992

## INDIA 1992

The FT proposes to publish this survey on June 28 1992.  
This survey will be read in 160 countries worldwide, including India where it will be widely distributed. It targets 40% of the professional investment community regularly read the FT. If you want to reach this important audience, call 071 873 3238 or Fax 071 873 3879.

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From: The Sumitomo Trust and Banking Company, Limited (STBC Ltd)

By: The Sumitomo Trust and Banking Company, Limited

as the Fiscal Agent

Dated: 10th June, 1992

## ARTRUST ATLAS FUND SICAV

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## DIVIDEND NOTICE

At its annual general meeting held on 29th May 1992 it was resolved to pay the following dividends:

United Kingdom Portfolio - 0.02 per share  
Fidelity Portfolio - US\$ 0.025 per share  
UK Growth of Income Portfolio - 0.012 per share

to shareholders on record on 29th May 1992 with an ex-dividend date of 1st June 1992 and a payment date of 12th June 1992.

29th May 1992  
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## US wholesale food distributors in \$1.1bn merger

By Nikki Tait in New York

TWO of the largest wholesale food distributors in the US - Super Valu and Weterau - yesterday announced plans to merge their operations in a deal said to be worth around \$1.1bn.

Assuming the transaction goes ahead, the combined company would rival Oklahoma-based Fleming Companies as the nation's largest wholesale food distributor. Fleming serves over 4,800 food retail outlets in some 36 states, and had sales in 1991 of almost \$1.3bn.

The merging companies said yesterday that the rationale behind the deal was potential operating efficiencies and greater geographical spread.

Under the outline merger agreement, Super Valu would make a cash offer of \$30.20 for each Weterau share, valuing the common stock at \$843.5m. It would also take on \$440m of outstanding Weterau debt, creating the overall \$1.1bn price tag.

Ahead of this transaction, Missouri-based Weterau would also "demerge" its Shop 'n Save subsidiary, distributing 70

per cent of Shop 'n Save's shares to existing Weterau shareholders and retaining the remaining 30 per cent.

Shop 'n Save comprises a chain of 28 "superwarehouse" food retail outlets, based in eastern Missouri and Illinois. Its annual sales are approximately \$500m; operating profits are about \$10m.

At present, Super Valu supplies around 2,650 supermarkets and food retail outlets in 31 states. Most of these stores are operated by independent retailers. The chain also has around 105 retail outlets of its own. Total sales last year were \$1.05bn.

Weterau, meanwhile, distributes food and non-food products to about 2,850 retailers and over 1,200 institutional customers, covering 29 states - mainly in the midwest, New England, mid-Atlantic and south.

Shares in Weterau, quoted on the NASDAQ over-the-counter market and currently ranking as the nation's third-largest grocery wholesaler, jumped 8% to \$30.4 yesterday, while Super Valu, the second largest food distributor, lost 3% to \$25.4.

## Hungarian insurer hit by thefts and 'inexperience'

By Nicholas Denton in Budapest

HUNGARIA Birtosito, the Hungarian insurer in which Allianz, the German insurance group, has acquired a majority stake, lost \$18.5bn (\$108m) on its car insurance business in the last financial year.

The company blamed the worse-than-expected results on a sharp rise in crime in Budapest, where car thefts have increased to between 60 and 100 a day. "We were not pessimistic enough," said Mr Ferenc Kiss, a Hungarian director.

However, insurance industry officials said the loss was due to the company's inexperience in Western underwriting practices. Hungary had taken on business at premium levels well below the cost of reinsurance on the international market, they said.

Mr Christopher Gore, direc-

tor of MAI Birtosito, said that insurance had attracted the largest foreign capital inflow of any sector in Hungary. The combined lack of expertise and the risks of the business have resulted in "disaster", he said.

Foreign investment in Hungarian insurance is over \$500m. Twelve western companies have acquired former state insurers or set up new subsidiaries, funding the losses that these investments have almost invariably made.

In the most recent acquisition, Agon, the second largest insurer in the Netherlands, took a 75 per cent stake in Allianz Birtosito, a state-owned Hungarian insurance concern, for a reported \$50m.

Allianz has built up a 58.5 per cent of Hungary in two stages over the past three years.

## Danzas declines 19% but expects early recovery

By Ian Rodger in Basel

DANZAS, the transport services group, said its group pre-tax profit tumbled 19 per cent last year to \$F46m (\$81.7m), because of squeezed margins in France and organisational problems in Basel and in Austria.

Mr Bernd Menzinger, chairman, forecast a recovery this year, but warned that next year's profits would be hurt by the elimination of customs procedures between European Community countries.

As usual, Danzas revealed a curious mixture of group and parent company figures. Con-

solidated group revenues in 1991 rose 13.9 per cent to \$F10.2bn. Other group figures merely represented consolidation, not a true consolidation.

Mr Peter Wagner, finance director, said. Full consolidated figures would be published for 1993 results, he said.

The parent company, which covers operations in Switzerland, parts of France and almost all of Italy, had net income of \$F14.3m in 1991, up 6 per cent. Sales rose 11.3 per cent to \$F13.8bn.

Mr Menzinger said Danzas would decide early next year on whether to simplify the terms covering shareholdings.

## Sprint joins European telecom venture

By Ronald van de Krol in Amsterdam

TELEVERKET and PTT Telecom, the Swedish and Dutch state-owned telecommunications companies, have signed up Sprint, the US telecommunications carrier, as their first partner in a venture aimed at providing European-based multinationals with internal communications networks on a global basis.

Under a preliminary agreement with the US company, the 50-50 Dutch-Swedish joint venture, called Unisource, will also have an unspecified amount of Sprint equipment as part of its efforts to build telecommunications networks for European-based international companies.

Sprint will not be taking an equity stake as part of its involvement in the joint venture.

Unisource said yesterday it was also negotiating with an unnamed Asian carrier about participating in the telecommunications network.

The Dutch-Swedish joint venture, which was first announced in October under the provisional name Unicom, is scheduled to be fully operational on September 1, when services in the UK, Germany, Sweden and the Netherlands will begin.

Unisource's network will be extended to Belgium, France, Norway, Denmark and Finland later this year, with southern Europe soon to follow.

Global coverage is planned from 1993 through SprintNet, the US company's worldwide data network.

Unisource officials said the joint venture marked the first time that telecommunications companies anywhere had agreed to pool their international activities in a company which will operate at arm's length from both parent companies.

The company's services will range from data network services to messaging services such as "fax store" and "fax forward".

The joint venture, which unites Swedish and Dutch ambitions to expand beyond their limited home markets, hopes to capture 20 per cent of the market for pan-European business communication networks.

Unisource estimates this market is worth an annual \$2.2bn (\$2.56bn) and is set to double over the next three to four years.

## United to match Delta fare cuts

By Philip Gawth in Johannesburg

UNITED Airlines of the US said it was matching rival Delta Air Lines transatlantic fare cuts in markets where the two compete, Reuters reports from Chicago.

On Monday, Delta said it would cut prices on first class, business and full coach tickets by as much as 45 per cent.

A spokesman for AME, American Airlines' parent, said the company was still studying Delta's fare cuts.

## IBM dons a different suit of clothes

Michiyo Nakamoto and Alan Cane on attempts to break into the low end of the market

INTERNATIONAL Business Machines (IBM) is donning unfamiliar clothes as it moves to attack markets that have hitherto been beneath its lofty gaze.

Last week, the world's largest computer manufacturer unveiled a new, wholly-owned subsidiary to battle head-to-head in Europe with low-cost "clone" personal computer makers.

But camouflage dress seemed to be the order of the day for the new company.

Mr Bill McCracken, general manager of IBM Europe's Personal Systems Business Unit, stood in regulation navy blue suit beside Mr Alan Willshe, the head of the new European subsidiary, Individual Computer Products International (ICPI).

"Notice the difference between IBM and ICPI," he said, drawing attention to Mr Willshe's plaid jacket, blue shirt and yellow tie. He was underlining the independence of IBM's new venture from its big and bureaucratic US parent.

ICPI was launched in the UK recently with the aim of taking IBM firmly into the low end of the PC marketplace.

It is an area where the industry's largest manufacturer is both weak and under sharp attack from "clone" makers which assemble PCs from standard components that are functionally similar to IBM's machines but significantly cheaper.

These manufacturers benefit from lower overheads and less need to carry out expensive research and development. Over 3,000 clone manufacturers operate in Taiwan alone.

There are, however, questions over the quality of these products compared with established industry brands such as IBM, Compaq and Olivetti.

The establishment of ICPI is belated recognition by IBM that brand awareness is rapidly giving way to price as a differentiator at the lower end of the PC business and that it has to change radically to protect its markets.

"It is time for the computer industry to recognise that computer buyers, like other human beings, do not make buying decisions for purely rational reasons. How can they when all low-cost PCs are virtually the same?" says Mr Willshe.

IBM's share of the overall PC market has plunged from about 40 per cent a decade ago to about 12 per cent; in the UK alone, its share has fallen from 26 per cent in 1989 to 15 per cent today.

But growth is fastest at the low end, where machines are priced in the UK at less than £1,000 (\$1,330), and expanding at a rate of 45 per cent a year in Europe, against 21 per cent for the whole PC market, according to Mr Willshe.

There has also been a marked change in the way PCs are distributed.

A growing proportion of PCs are sold through direct distribution, that is, telesales and mail order, rather than through dealers. IBM has been slow to exploit these unfamiliar product channels.

IBM's new venture is small, with just 45 employees initially. The aim is to be flexible and responsive to the marketplace.

It will source its products on the open market, selling



Alan Willshe: head of the new European subsidiary

through a combination of dealer and retailer and direct distribution.

The new venture has been established in the UK, but it is seen as the beginning of a world-wide development. A similar venture has been launched in Canada, and a French operation opens next week.

IBM is not alone among quality manufacturers in trying to break into the low end of the market. Compaq, a leader in high-performance systems, will launch its own low-priced range on June 15, backed by a \$10m advertising campaign.

It will sell these systems under its own name, however, while IBM's decision to set up a subsidiary with no overt con-

nection with the parent is explained by the dilemma it faces in this area of the market. It has to compete on price, but if it sells "clones" which prove less reliable than its traditional product range under its own name, its credibility across its entire range will be compromised.

Without the IBM connection, however, it is difficult to see what the new range, called Ambra, has to differentiate it from any other range of clones. Furthermore, it already has a low-priced machine, the PS/1, intended for home use, with which the Ambra range could be in competition.

IBM is putting its faith in

advertising to create brand awareness for Ambra.

The group has started a multi-million pound advertising campaign with the help of Bartle Bogle Hegarty, creators of the Levi jeans commercials, which will promote the products as "a desirable brand that appeals to the individual."

The campaign involves television commercials and full-page advertisements in national newspapers, and its theme concerns athletes striving, a far cry from the Charlie Chaplin commercials which launched IBM's first PC.

Competitors are delighted with the campaign, which they believe will help create awareness for the whole market segment.

But they see little threat in the new range. Amstrad points out that one of the UK leading high street retailers - Dixons - has decided not to stock Ambra, apparently because of a possible conflict with IBM's existing range.

Eloex, another leading UK PC maker, points out that Ambra products are not aggressively priced.

An Eloex machine of similar configuration to an Ambra computer could work out 275, or almost 10 per cent, cheaper.

The services and support ICPI is promoting as a sign of its reliability are already being offered by companies such as Dell.

So the key must be IBM's marketing muscle. But is Bartle Bogle Hegarty's appeal to aesthetic and lifestyle preferences the answer: "they're only PCs, for heaven's sake," said one commentator scornfully.

## Japanese life companies set back by Tokyo stock losses

JAPAN'S big life insurance companies, hit by steep drops in Japanese share prices and interest rates, posted sharp declines in their returns on investment in the year to March 31, Reuters reports from Tokyo.

With the Tokyo stock market showing no signs of recovery and premium income growth slowing, the life insurers would continue to pump much of their new money into domestic loans to secure stable returns, according to industry officials.

The eight leading life insurers announced their business results for 1991-92 yesterday. Return on investment at the eight companies ranged from 4.75 per cent to 6.13 per cent, down more than one percentage point from a year earlier.

"The gaps between insurers are widening, and will continue to widen, based on their skills as investors," said an official at Meiji Mutual Life Insurance.

Assets at the eight insurers rose to ¥110,310bn (\$675.47bn) in 1991-92, an average growth of 8.5 per cent and the slowest since the Second World War.

Officials ascribed the slow tempo to lower sales of savings-oriented insurance products and poorer returns on investment. The eight companies account for more than 75 per cent of the assets held at Japan's 26 life insurance companies.

With "risky" securities holdings at high levels, the investment heavyweights trimmed their foreign currency assets by an average 1.5 per cent in 1991-92 to ¥17,110bn at end-March.

Dai-ichi Mutual Life Insurance and Meiji Life bucked the trend, increasing foreign assets by 8.0 per cent and 4.6 per cent, respectively. However, Nippon Life Insurance slashed overseas assets by 8.6 per cent. Sumitomo Life Insurance by 9.5 per cent, and Asahi Mutual Life Insurance Co by 1.2 per cent.

At the same time, the insurers were cautious about domestic equities because of low returns and high volatility since the 225-share Nikkei

average index fell about 26 per cent in 1991-92.

Nippon Life cut its holdings of foreign securities to ¥3,380bn in 1991-92 from ¥3,500bn a year earlier. As a result, foreign securities as a share of assets fell to 11.7 per cent at the end of March, from 13.1 per cent a year earlier.

The sharp decline in Japanese share prices in 1991-92 forced the eight life insurers to take a securities write-down of ¥1,570bn, an increase of 135.3 per cent from a year earlier.

Life insurers would remain net stock buyers in the current year since they expected their assets to grow, but would remain cautious about equity investments, according to the officials.

An official at Nippon Life, Japan's largest life insurer, said his company would continue to allocate new money mainly to domestic loans and domestic bonds in the 1992-93 financial year.

Unrealised share profits at the eight insurers fell to ¥8,430bn at end-March from ¥21,610bn a year earlier.

After the write-down of securities and plunges in unrealised profit in shareholdings, the eight insurers will cut dividends to policyholders in 1991-92.

"It is a sign that Japanese insurers will be forced to offer different dividends to policyholders in future," said Katsuhito Sasajima, an analyst at Nikko Research Centre.

## Rembrandt associates limit earnings growth to 8%

By Philip Gawth in Johannesburg

REMBRANDT, the South African tobacco group, has posted a modest increase in earnings of just under 9 per cent for the year to end-March as weak results from associate companies held back its overall performance.

Net income before tax rose by 22 per cent to R1.17bn (\$416.3m), with the after-tax figure up by 31.4 per cent to R747.7m.

These figures primarily reflect the performance of the group's unlisted tobacco interests, the diversified industrial group Hunter and interest income. The pre-tax figure also includes R231.3m of dividend income.

Analysts estimate that tobacco earnings grew by 10 to 12 per cent and that interest earnings were boosted considerably by the sale last year of Rembrandt's stake in the Standard banking group.

The group's share of net income retained by associates dropped by 16 per cent to R289.5m. The decline reflected the poor performance of the

group's mining and industrial interests.

Gold Fields, in which Rembrandt has a 17.4 per cent stake, reported flat earnings in the six months to December, while Gencor's earnings were 26 per cent down in the year to February.

Rembrandt has a 25.2 per cent stake in the parent, Gencor Beheer.

There were also weak performances from other Rembrandt industrial associates, including Hunter, Dorbyl and Metkor.

As a result net income from Rembrandt's normal business

operations was only 8.8 per cent higher at R941.1m.

Earnings per share were up by a similar margin at 190.3 cents, with a total dividend of 32.6 cents a share. A special dividend of 30 cents a share was also declared earlier this year.

The results are modest by Rembrandt's standards, reflecting the weak state of the South African economy. Most of the growth appears to have come from tobacco operations. Rembrandt has about an 80 per cent share of the South African tobacco market.

## Banc One sees no further deals this year

BANC ONE, the US banking group, is unlikely to make another acquisition this year, Mr John McCoy, chairman, said yesterday, Reuters reports from Milwaukee.

"It is the likelihood of us doing another transaction is less than 10 per cent" this year, Mr McCoy said after a speech to the Wisconsin Bankers' Association.

Banc One recently announced it would acquire West Virginia-based Key Centurion Bancshares in a transaction valued at about \$536m, or \$22 a share.

That announcement came on the heels of news in April that Banc One was acquiring Arizona-based Valley National Corp.

Under the leadership of Mr McCoy, Banc One has been concentrating on a conservative lending policy in the retail banking sector and has maintained a return on assets that is among the highest in US banking.

Last year, Banc One bucked the national trend by turning in a 25 per cent increase in net profits, to \$529.5m.

## DECLARATION OF DIVIDENDS

The following companies have declared final dividends in South African currency payable to members registered in the books of the companies concerned at the close of business on 26 June 1992:

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend No.	Amount Per Share (cents)
Deelkraal Gold Mining Company Limited (Registration No. 74/00160/06)	19	15
Driefontein Consolidated Limited (Registration No. 89/04830/06)	38	100
Kroon Gold Mining Company Limited (Registration No. 64/04462/06)	45	50

Warrants payable on 5 August 1992 will be posted on 4 August 1992. Standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the companies.

Requests for payment of the dividends in South African currency by members on the United Kingdom registers must be received by the companies concerned on or before 26 June 1992 in accordance with the above-mentioned conditions.

The registers of members of the above companies will be closed from 27 June 1992 to 3 July 1992, inclusive.

The following companies have not declared final dividends:  
Dorfontein Gold Mining Company Limited  
(Registration No. 05/24709/06)  
Libanon Gold Mining Company Limited  
(Registration No. 05/08381/06)  
Venierspost Gold Mining Company Limited  
(Registration No. 05/05832/06)

By order of the boards  
per pro GOLD FIELDS CORPORATE SERVICES LIMITED  
London Secretaries  
S. J. Dunning, Secretary

United Kingdom Registrar:  
Barclays Registrars  
Bourne House  
34 Beckenham Road  
Beckenham, Kent, BR3 4TU

9 June 1992

MEMBERS OF THE GOLD FIELDS GROUP

This notice appears as a matter of record only. It does not constitute an offer or an invitation to subscribe for or purchase any securities of the Corporation.

## Dana Corporation

(Incorporated with limited liability under the laws of the Commonwealth of Virginia in the United States of America)

Placing by

## Merrill Lynch International Limited

of up to 4,600,000 shares of Common Stock  
par value U.S.\$1.00 per share

Application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The London Stock Exchange") for admission of the shares of the Corporation to The Official List.

Listing Particulars relating to the Corporation are available in the Companies Fitch Service and may be obtained during usual business hours (Saturdays and public holidays excepted) from 12th June 1992 until 29th June 1992 from The Company Announcements Office, The London Stock Exchange, London EC2N 1HP and from 12th June 1992 until 22nd July 1992 from:

Merrill Lynch International Limited  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9LY

Dated: 10th June, 1992

## TELECOMMUNICATIONS IN BUSINESS

The FT proposes to publish this survey on June 18 1992.

The survey will be seen by 54% of Chief Executives in Europe's largest companies.\*

To reach this important audience with your advertisement, please contact:

Philip Dodson  
Tel: 071 873 3389  
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Data source: \* Chief Executives in Europe 1990

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The FT proposes to publish this survey on June 26th 1992.

The survey will be included with every copy of the FT on that day and will reach over 1 million readers in some 160 countries world wide. In Europe alone, research shows that 54% of Chief Executives of the largest Companies read the Financial Times.\*

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Data source: \* Chief Executives in Europe 1990

FT SURVEYS



## Yukong Limited

(Incorporated in the Republic of Korea with limited liability)

## Notice

to the Warrantholders  
to subscribe for Common Shares of

## Yukong Limited

U.S. \$75,000,000 5% per cent.  
Bonds due 1996 with Warrants

NOTICE IS HEREBY GIVEN to the Warrantholders that as a result of the grant by the company to holders of its shares and to employees of rights to subscribe for up to 3,012,000 shares of common stock of the Company described in the Notice given to the Warrantholders on 10th April, 1992, the existing Subscription Price per share of common stock of the Company has, pursuant to the provisions of the instrument constituting the Warrants, been adjusted from W27,350 to W27,041 with effect from 25th April, 1992 (the day after the record date in respect of the above grant).

10th June, 1992

Yukong Limited



## INTERNATIONAL COMPANIES AND CAPITAL MARKETS

# Hongkong Bank shares hit heavy selling pressure

By Simon Holberton  
in Hong Kong

THE SHARE price of Hongkong and Shanghai Bank came under heavy selling pressure yesterday as arbitrageurs quit their holdings, analysts said.

At the same time, the shareholders of the bank approved resolutions at an extraordinary general meeting which gave management the authority to make its share and cash bid for Midland Bank.

The meeting - which lasted 15 minutes and at which no questions were asked - also revoked the board's right to restrict individual shareholders to owning no more than 1 per cent of the bank.

The price of HSBC Holdings fell to a low of HK\$44 yesterday before recovering slightly to close at HK\$44.75 - HK\$2 below Monday's level.

On the Hong Kong closing price, the Hongkong Bank's offer for Midland valued each share at 440p, down from the 471p valuation a week ago when 60p cash was injected into the bid to make it more attractive to UK institutional shareholders.

Analysts said the weakness in Hongkong Bank and Midland's share price reflected traders selling the stocks because a higher bid from Lloyds for Midland did not materialise. Holders of HSBC were betting on it withdrawing in the face of a higher Lloyds offer for Midland.

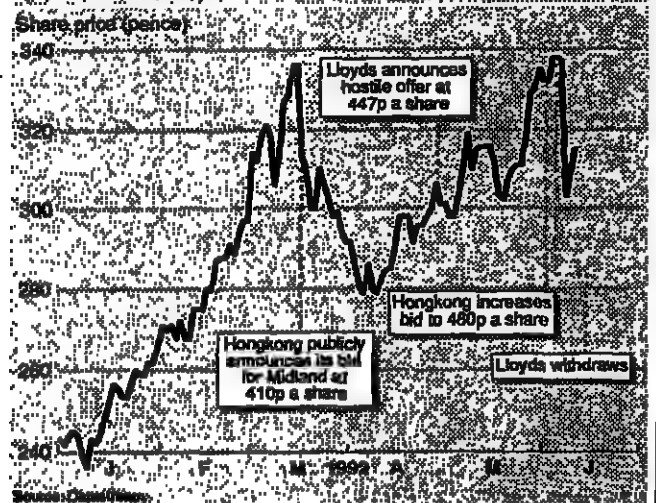
Those who may want to buy HSBC, because they manage funds linked to the FT-SE Share Index or the FT All Share Index, were unable to until the merger was consummated, analysts said.

"Investors who will be compelled to buy HSBC can do so for two weeks and for an arbitrageur that's too long," said Ms Laura Greening, banking analyst at Smith New Court.

Mr William Purves, Hongkong Bank's chairman, speaking after the extraordinary general meeting, said it was difficult to say why the bank's share price fell, though he thought the weakness would be short-term.

"Maybe there is some arbitrage going on, a little profit-taking. Some say disappointed people in London are selling," he said.

## Hongkong Bank



# Spearheading a leading continental role for Germany

David Waller examines Rolf Breuer's campaign to enhance the country's strengths as a financial hub

**R**OLF BREUER is a main board director of Deutsche Bank among other things, he is responsible for the bank's securities activities. He is also a leading figure in the campaign to enhance Germany's strengths as a financial centre.

From his office high up in one of the bank's two Frankfurt skyscrapers, he says: "I would like to see Germany as the leading financial centre in continental Europe in close co-operation with London."

"Our ambition is not to be better than London - we must stick with what is realistic, and it would be illusory to think we could overtake London given that city's traditional advantages. To be the leading financial centre on the continent is more realistic."

Mr Breuer's campaign bore fruit in January this year. The government in Bonn announced plans to set up Germany's first nationwide regulatory body for the securities industry. It said it would introduce an insider dealing law by the end of the year. It backed plans for a central stock market for the whole of Germany, and lent its support for further computerisation of share trading.

These proposals emerged in the form of policy document written by Mr Theo Waigel, the finance minister. A day later, Chancellor Helmut Kohl visited the Frankfurt stock exchange - his first visit to

Germany's largest bourse - a powerful symbol of government support for what Mr Breuer and other financiers are trying to achieve.

There has been further success within recent weeks. Germany's eight stock exchanges abandoned age-old hostilities and agreed to form Deutsche Börse - a stock exchange for Germany. It is hoped that this will reduce inefficiencies and make it more attractive for foreign investors to buy German shares via Germany - rather than via London, as happens for a significant proportion of turnover in the shares of Germany's biggest companies. Work on further computerisation of the stock market, supervised by the McKinsey consultancy company, continues apace.

But, according to Mr Breuer, "there is still a lot to do".

He acknowledges that Frankfurt's reputation was damaged last year by insider dealing allegations levied against the banking community. "What we need first of all is better supervision," he argues. "We had a lot of what you might call 'mis-happenings' in the summer of last year, and this stimulated an international discussion about the moral standards of Germany as a financial centre."

Buzzwords of the debate were "insider dealing" and "front-running" (a practice whereby brokers allegedly place personal buy orders



Rolf Breuer: "To be the leading financial centre on the continent is more realistic"

really gets into things, which is respected, even feared by market participants. For this we need the government to act, and in January this year, it did act."

Mr Breuer is confident that the timetable can be kept to, with a new body and insider dealing law by the end of the year. "Drafts of the relevant rules are already in the minutes, complete and ready to be discussed by parliament. It is up to the minister to introduce

the drafts into the parliamentary procedures. The credit institutions are very interested in a speedy procedure - we need to have it."

However, he acknowledges that the plans may be held up as a result of a dispute between Bonn and Germany's states (Länder) governments. The latter are at present responsible for policing the stock markets on their patch, and there is reluctance to cede powers to central govern-

ments. Mr Breuer says what may be needed is an institutional structure which establishes a central office in Bonn but which leaves day-to-day policing of the market to the Länder.

**W**hatever the final institutional structure, Mr Breuer thinks the new authority will only succeed if it is a "quasi-governmental" body staffed not by civil servants but by senior figures from the market who are paid market salaries.

This new body and the insider law will be the government's contribution to "Project market participants can do their bit, too, Mr Breuer believes."

At its 1991 results press conference in April, Deutsche Bank announced plans for Anglo-Saxon-style compliance rules for its staff, based on the practice at Morgan Grenfell, its UK merchant banking subsidiary, and at its New York office. Other German financial institutions are in the throes of following suit.

Mr Breuer plays down the significance of the location of a European central bank: it would be "helpful but not essential" to have the new institution in Frankfurt. But he believes that Frankfurt is set fair to become the financial capital of continental Europe by the end of the century, whether it gets the new body or not.

# Australian white goods maker up sharply

By Bruce Jacques in Sydney

EMAIL, the leading Australian white goods maker, yesterday reported sharply higher earnings and announced plans for an effective increase in the dividend.

Despite static sales of A\$1.38bn (US\$1.06bn), net profit rose by almost 30 per cent to A\$95.3m for the year ended March 1992. The dividend is being held at 17 cents a share, but on capital

increased by a rights issue. The increase in earnings was more than accounted for by a reduction in Email's net interest bill from A\$28.6m to A\$13.6m. Also, the figures excluded extraordinary losses of A\$94.4m, against A\$6.1m previously.

Directors said they had reacted early to the recession by divesting uneconomic operations and restructuring productive capacity. "This resulted in increased

productivity in the manufacturing areas," they said. "Some of the benefits of these actions were recorded in the current year, but longer-term gains will flow as increased demand lifts production volumes."

"Directors believe an improvement in the economy and growth in employment will remain slow."

● Lion Nathan, New Zealand's biggest brewing group, has sold a chain of New Zealand department stores to a management group and a Maori development consortium for NZ\$32m (US\$17.3m), writes Terry Hall from Wellington. The 55 stores employ 2,000 staff.

Lion Nathan said the sale marked the final stage of its strategy to focus on core beverage businesses in New Zealand and in Australia, where it is completing the purchase of Bond Brewing.

# Loan of Bfr3bn for Gechem

concentrate on the activities of its subsidiary Recticel which makes polyurethane foam.

The company has been troubled by debt and made a Bfr1.8bn loss last year, following an 18-per-cent expansion in the US. Last year, it abandoned majority control of Foamex LP, its US subsidiary. Foamex's sales were below expectations and Gechem was unable to service the debt taken on to buy its stake. Gechem made losses of about Bfr500m on its US foray.

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## NOTICE OF REDEMPTION

To the Holders of

## THE PROCTER AND GAMBLE COMPANY

US\$150,000,000

10% Notes due 1995

(the "Securities")

NOTICE IS HEREBY GIVEN that, The Procter and Gamble Company (the "Company"), pursuant to Paragraph 6(a) of the Terms and Conditions of the Securities (the "Terms"), will redeem all outstanding principal amount of the Securities on July 16, 1992 (the "Redemption Date") at a redemption price of one hundred and one percent (101%) of the principal amount thereof, (the "Redemption Price"). From and after the Redemption Date, interest will cease to accrue on the above-designated Securities. The Securities should be presented for payment of the Redemption Price on or after July 16, 1992 together, in the case of Bearer Securities, with all coupons appertaining thereto maturing after the Redemption Date, failing which the amount of any missing unexpired coupons will be deducted from the sum due for payment. Coupon due on July 16, 1992 should be presented and surrendered in the usual manner.

In the case of Bearer Securities, payments will be made against surrender of the Securities at the office of any of the paying agents detailed below. Registered Securities may be presented or surrendered for payment at Morgan Guaranty Trust Company of New York, Corporate Trust Operations Department, Tellers and Mail Unit, 55 Exchange Place, Basement A, New York, New York 10060-0023.

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## Nationwide

£50,000,000

Floating rate notes

£200,000,000

Floating rate notes due

1995

Notice is hereby given that the

notes will bear interest at

10.0844% per annum from 8

June, 1992 to 8 September,

1992. Interest payable on 8

September, 1992 will amount

to £253.49 per £10,000 note

and £2,534.98 per £100,000

note.

Nationwide Building Society

Agent: Morgan Guaranty

Trust Company

JPMorgan

## Nationwide

£150,000,000 and

£50,000,000

Floating rate notes

due 1995

Notice is hereby given that the

notes will bear interest at

10.0844% per annum from 8

June, 1992 to 8 September,

1992. Interest payable on 8

September, 1992 will amount

to £253.49 per £10,000 note

and £2,534.98 per £100,000

note.

Nationwide Building Society

Agent: Morgan Guaranty

Trust Company

JPMorgan

## U.S. \$500,000,000

Formosa Plastics Corporation, U.S.A.

(Incorporated with limited liability in the State of Delaware)

Floating Rate Notes due 2001

In accordance with the provisions of the Notes, notice is hereby

given that for the six month interest period from June 10,

1992 to December 10, 1992 the Notes will carry an interest rate of

5.625% per annum. The interest payable on the relevant interest

payment date, December 10, 1992 will be U.S. \$14,296.88 per U.S.

\$500,000 principal amount.

By: The Chase Manhattan Bank, N.A.

London, Agent Bank

June 10, 1992

CHASE

## REMY FINANCE S.V.

FRF 300,000,000

GUARANTEED FLOATING

RATE NOTES DUE 1993

For the period June 09, 1992

to September 09, 1992 the

new rate has been fixed at

10.1875% PA.

Next payment date:

September 09, 1992

Coupon is: 23

Amount FRF 26036 for the

denomination of FRF 10 000

THE PRINCIPAL

PAYING AGENT,

SOGENAL

SOCIETE GENERALE GROUP

15, AVENUE EMILE REUTER

LUXEMBOURG

ALTUS FINANCE

USD 200,000,000 -

FRN-1992/2000

Bondholders are hereby informed

that the rate applicable for the

fifth period of interest has been

fixed at 4.825%.

The coupon rate will be payable

at the price of:

USD 216.04 for the USD 10,000

nominal amount of Notes,

USD 2,160.42 for the

USD 100,000 nominal amount of

Notes on December 08th, 1992,

representing 183 days of interest,

covering the period as from June

08th, 1992 to December 07th,

1992 inclusive.

The Reference Agent and

Fiscal Agent

CREDIT LYONNAIS

NOTICE TO THE

WARRANTHOLDERS OF

NIKKEN CHEMICALS

CO., LTD.

(the "Company")

U.S.\$50,000,000

1 1/4 PER CENT

GUARANTEED BONDS

1992 WITH WARRANTS

and

U.S.\$100,000,000

4 1/4 PER CENT

GUARANTEED BONDS

1993 WITH WARRANTS

"Change of Financial Year and

Record Dates for Payment of

## LEGAL NOTICE

NOTICE TO CREDITORS TO SUBMIT CLAIM

IN THE MATTER OF

W & H BARKLEY CAPITAL LIMITED

AND IN THE MATTER OF

THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that the Creditors of the

above-named Company, which is being voluntarily wound up,



## INTERNATIONAL CAPITAL MARKETS

## Canadian dealers propose reforms to 'bought deals'

By Bernard Simon in Toronto

CANADIAN securities dealers have proposed reforms to the system of "bought deals" aimed at lessening their own risk in this type of underwriting and providing a greater incentive to canvass small investors.

Bought deal financing has revolutionised the Canadian capital market in the past five years by giving local companies even faster access to capital than US issuers. The bought deal involves finalising an underwriting agreement either simultaneously with, or often in advance of, publication of a prospectus. Its other hallmark is the absence of a "market-out" clause in the underwriting agreement, thereby barring underwriters from withdrawing once the price is set.

Although bought deals now make up almost two thirds of all common equity offerings in Canada, they have drawn considerable criticism. Stockbrokers tend to concentrate their selling efforts on large institutional clients so that they can eliminate their underwriting risk as quickly as possible.

Several high-profile bought deals in recent years have not been able to satisfy retail demand. According to the Investment Dealers Association, "this perception of inequal-

table treatment among investors is not positive for Canada's capital markets to the extent it may lead to reduced retail participation in equity underwritings and secondary market transactions."

After a heated debate within its own ranks, the IDA has proposed two reforms. First, underwriters would be barred from soliciting advance commitments from institutions, known as "pre-marketing". This ban would apply to issues by the 150 or so companies which are allowed to offer shares on the basis of abridged prospectuses.

The proposal aims at preventing the dissemination of information not available to the market as a whole. The restriction would not apply to private placements.

Second, a gap of at least six hours (in practice, overnight) would be required between filing a preliminary prospectus and completion of an underwriting agreement. The IDA hopes this delay will encourage securities firms to solicit interest from smaller investors before committing themselves to a price.

The IDA's proposals must still be considered by provincial securities commissions. The regulators are likely to call for comments from other interested groups before any new rules are put in place.

## Belgian exchange to start trading stock options

By Tracy Corrigan

BELFOX, the Belgian derivatives exchange opened last year, will start trading stock options on Friday. Initially, the exchange will trade put and call options on two Belgian stocks, Petrofina, the oil company and Delbeke, the food retailer.

The exchange intends to introduce options on four other shares - Electrolux, the electronics utility, Solvay, the chemicals company, Societe

Générale de Belgique, Belgium's largest holding company, and ACEC-Union Miniere, the metals group.

Futures and options on the Bel-30 index of Belgian stocks are also planned at a later date.

Options trading was originally scheduled to start in February, but was postponed due to systems problems.

The screen-based exchange started trading futures on a notional Belgian government bond last year.

## Emerging markets sustain flow of offerings

By Sara Webb

LATIN America and Asia continue to provide a steady flow of international equity offerings for emerging market investors.

Banacci, one of the largest financial services holding companies in Mexico, is launching a \$1.5bn global offering, consisting of a \$450m international tranche, an \$800m US tranche and a \$200m domestic offering.

## INTERNATIONAL EQUITY ISSUES

Banacci's holdings include Banamex, the bank, and Accival, a leading brokerage. Goldman Sachs is the lead manager for the primary offering.

The Asian issues include a \$600m global depositary share (GDS) offering for Grasim, the Indian cement, textiles and fibre group, and a \$600m GDS offering for Asia Cement, a Taiwanese group.

Chitrop and Merrill Lynch are joint lead-managers for the Grasim offering which comes close on the heels of a \$100m international equity offering from Reliance, the Indian petrochemicals company.

Although the Indian stock market has been rocked by a financial scandal, the Reliance offering was considered a success and the response to the Grasim issue so far has been "reasonable," according to a banker involved in the deal.

The \$600m issue from Taiwan's Asia Cement is expected to appeal to Asian funds in Hong Kong, London and New York.

Asia Cement is the second Taiwanese company to launch a GDS offering, following the large issue from China Steel last month.

Norges Kommunalbank, the Norwegian state-owned municipal financial, plans to issue a four-year Nkr500m bond backed by the Kingdom of Norway, Reuters reports from Oslo.

Bids open on June 15. It is to be an open bullet loan maturing in April 1996.

## Europe's malaise benefits Ontario-Hydro

By Tracy Corrigan

ONTARIO-HYDRO'S \$2.5bn global bond offering, launched yesterday, benefited from the malaise afflicting most European markets. Dealers reported pent-up demand for high-yielding non-European paper, and the 10-year bonds were quickly sold out.

## INTERNATIONAL BONDS

The bonds were priced to yield 68 basis points more than the comparable Canadian government bond. Ontario-Hydro's comparable secondary market bonds are trading at around the same level. By the end of trading, the spread had widened by a basis point or two as a result of a rally in Canadian government bond prices.

In the French bond market, Crédit National launched two offerings, totalling FF15.5bn, fungible with outstanding issues maturing in 1994 and 1995.

Although political uncertainty over the French referendum on European union con-

tinues to inject caution into the market, higher yield levels have started to encourage domestic investors to return.

Both deals were priced to offer a yield pick-up over secondary market levels, but bonds were not snapped up. The FF15.5bn three-year deal was priced to yield 30 basis points above the comparable French government BTAN, a 15 basis point pick-up over the outstanding deal; and the FF15.5bn 10-year deal was set to yield 43 basis points over the comparable OAT, 10 basis points up on an existing paper.

Caisses Nationales des Autocrates, the French motorway financing agency which had planned to tap the Euro market prior to its collapse last week, is now likely to switch funding to either the domestic or Euro-French franc bond market, according to bankers. France Telecom, which had also planned to raise funds in Euro, is not expected to seek alternative funding.

In the D-Mark sector, two borrowers took advantage of the firm tone of the market. The Kingdom of Denmark launched a DM500m five-year

## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fee	Book runner
US DOLLARS						
Banco Rio de la Plata (a)	30	10.125	100.7885	1997	1.875/1.25	Bankers Tel. Int.
AUSTRALIAN DOLLARS						
BP America (a)	100	8.25	101.10	1999	2/1.5	Hambros & Co.
CANADIAN DOLLARS						
Ontario Hydro (a)	250	9	98.875	2002	0.375/0.25 (a)	
FRENCH FRANCS						
Crédit National (a)	250	8.75	97.47	1999	35bp	CCF
Crédit National (a)	1.5bn	8.25	98.48	1994	15bp	CCF
D-MARK						
LSB Bank-W.F. (a)	150	2000	20	2012	00/35bp	Dresdner Bk.
Kingdom of Denmark (a)	500	8.25	101.825	1997	2/1.25	West LB
Toyota Motor Credit (a)	300	8.375	101	1995	(b)	Deutsche Bk.

(a) Private placement. (b) Convertible. (c) With equity warrants. (d) Floating rate note. (e) Final terms. (f) Non-callable. (g) Amount increased from \$200m. Price & fees undisclosed. (h) Global issue, coupon payable semi-annually, joint lead managers. (i) Northern Sec. (j) Merrill Lynch. (k) Goldman Sachs. (l) Wood Gundy. (m) Fungible with existing FF15.5bn deal. Non-callable. (n) Fungible with existing FF15.5bn deal. Non-callable.

deal, priced flat to the German bund market, via WestLB, while LBB Baden-Württemberg, the German regional bank, launched a DM1bn zero-coupon deal due 2012 via Dresdner Bank.

Despite the strong tone in the market, issuance is likely to be limited by the lack of swap opportunities.

Club Méditerranée, the leading French holiday village group, is expected to launch a FF1bn convertible bond issue within the next few

days, writes Sara Webb.

Club Med was hit by the Gulf war and the recession in some of its home markets last year, at a time when it had just expanded its airline interests. The company swung to a loss of FF17m (\$3.14m) in the year to October 1991, compared with a profit of FF38m in the previous year, and investment bankers point out that it is likely to be seen by investors as a recovery stock.

"There's nothing comparable in the market if you want to

play the tourism sector, and investors are likely to be interested in converting this to a equity given that this is a strong turnaround situation," said one banker. Crédit Lyonnais has been awarded the mandate for lead-manager. The seven-year convertible bond will be split into two tranches - FF600m for the domestic market and a FF400m international tranche. The coupon is expected to be set at 6.5 to 6.75 per cent and the conversion premium at 8 to 12 per cent.

## Treasuries trade quietly ahead of economic figures

By Patrick Harverson in New York and Sara Webb in London

IN THE absence of important economic figures, trading on US Treasury markets was subdued yesterday.

## GOVERNMENT BONDS

In late trading, the benchmark 30-year government bond was down 1/8 at 101 1/8, yielding 7.873 per cent, while the two-year note was down 1/8 at 100 1/8, yielding 5.074 per cent. Trading activity was reported to be light.

The only feature of the day was a technical squeeze in the overnight two-year repurchase agreement market. Amid reports that one bank had control of a big lump of two-year, prices rose in early trading as some players struggled to cover short positions. Analysts said bond market business was likely to remain tight ahead of

tomorrow's May producer prices and retail sales data, which should provide the latest indication of the strength of the economic recovery.

THE UK government bond market bounced back after its initial decline, helped by the combination of better-than-expected producer output prices, buying on weakness and a stronger German bond market.

The gilt market, which lost up to half a percentage point initially, ended almost unchanged across the yield curve. Prices picked up on news that UK producer output prices rose by 0.1 per cent in May, whereas an increase of between 0.2 and 0.3 per cent had been expected.

The benchmark 11 1/2 per cent gilt due 2007/07 opened at 115 1/8 and fell as low as 115 1/8 before recovering to trade at 115 1/8 by late afternoon. In the futures market, volumes were heavy with about 55,000 contracts traded. The Life gilt futures contract opened at 97 1/8, fell to

a low of 97.07 and traded at around 97.27 by late afternoon.

THE European government bond markets continued to see a shift into the Deutschmark bloc following Denmark's rejection of the Maastricht Treaty. There was further strong buying of German and Dutch government bonds and the Life bund futures contract rose from 88.31 to end at around 88.37.

Among the high-yielding bond markets, Italy saw a pick-up in futures prices although the cash market remained depressed. Dealers reported some interest in buying the futures following Monday's sharp fall in the Italian market. The futures contract opened at 95.37 and climbed to 95.99 while the 10-year cash bond traded at around 95.28 before Monday's close at 95.70.

French government bonds (OATs) dropped sharply as foreign investors sold their holdings, but the market later picked up on domestic buying.

## BENCHMARK GOVERNMENT BONDS

	Coupon	Rate	Price	Change	Yield	Week Ago	Month Ago
AUSTRALIA	10.000	10/02	102.0205	-0.06	8.96	9.19	8.20
BELGIUM	8.000	08/01	100.8200	+0.050	8.88	8.79	8.78
CANADA	8.500	04/02	101.7000	-0.100	8.54	8.60	8.70
DENMARK	8.000	11/00	100.3000	-0.100	8.83	8.85	8.78
FRANCE	8.500	03/97	98.3010	-0.037	8.88	8.74	8.75
GERMANY	8.000	01/02	100.6000	+0.120	7.90	7.97	7.98
ITALY	12.000	02/02	95.3000	-0.340	13.27	12.72	12.80
JAPAN	No 119	4.800	06/98	95.2419	-0.060	5.75	5.78
No 129	6.400	03/00	104.8184	-0.050	5.61	5.64	5.58
NETHERLANDS	8.500	09/02	99.5000	+0.010	8.89	8.96	8.92
SPAIN	11.500	01/01	98.7500	-0.750	11.49	10.90	10.87
UK GILTS	10.500	11/95	102.5200	+0.032	8.65	8.65	8.67
No 119	8.500	10/98	95.7188	+0.002	9.18	8.87	8.16
No 129	8.000	10/00	98.7188	+0.002	9.03	8.79	8.04
US TREASURY	7.000	06/92	101.5000	-0.058	7.33	7.38	7.48
8.000	11/91	101.1300	-0.052	7.87	7.87	7.88	7.88
8.500	03/92	99.5000	0.110	8.97	8.98	8.94	

London closing "New York closing". Gross annual yield (including withholding tax at 15.5 per cent payable by non-residents). Prices: US, UK in \$bills, others in decimal. Technical Data/ATLAS Price Source

The Matif futures contract opened at 107.38 and fell to a low of 107.14, but traded up to 107.40 later in the day.

JAPANESE government bonds closed slightly weaker

## MARKET STATISTICS

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 9

U.S. DOLLAR STRAIGHTS	Amount	Rate	Price	Change	Yield	Week Ago	Month Ago
ALBERTA 5.125%	500	100%	100%	0.00	8.00	8.00	8.00
ALBERTA 5.125%	500	100%	100%	0.00	8.00	8.00	8.00
ALBERTA 5.125%	500	100%	100%	0.00	8.00	8.00	8.00
ALBERTA 5.125%	500	100%	100%	0.00	8.00	8.00	8.00
ALBERTA 5.125%	500	100%	100%	0.00	8.00	8.00	8.00
ALBERTA 5.125%	500	100%	100%	0.00	8.00	8.00	8.00
ALBERTA 5.125%	500	100%	100%	0.00	8.00	8.00	8.00
ALBERTA 5.125%	500	100%	100%	0.00	8.00	8.00	8.00
ALBERTA 5.125%	500	100%	100%	0.00	8.00	8.00	8.00
ALBERTA 5.125%	500	100%	100%	0.00	8.00	8.00	8.00

## RISES AND FALLS YESTERDAY

British Fixed Interest, Commercial, Industrial, Financial & Property, Oil & Gas, Plantations, Mines, Others

	Rise	Fall	Stale
British Fixed Interest	157	432	854
Commercial, Industrial	73	244	54
Financial & Property	9	20	31
Oil & Gas	30	49	50
Plantations	30	49	50
Mines	30	49	50
Others	30	49	50

## LONDON RECENT ISSUES

Equities, Fixed Interest, Commercial, Industrial, Financial & Property, Oil & Gas, Plantations, Mines, Others

	Rise	Fall	Stale
Equities	157	432	854
Fixed Interest	73	244	54
Commercial, Industrial	9	20	31
Financial & Property	30	49	50
Oil & Gas	30	49	50
Plantations	30	49	50
Mines	30	49	50
Others	30	49	50

## FIXED INTEREST STOCKS

Equities, Fixed Interest, Commercial, Industrial, Financial & Property, Oil & Gas, Plantations, Mines, Others

	Rise	Fall	Stale
Equities	157	432	854
Fixed Interest	73	244	54
Commercial, Industrial	9	20	31
Financial & Property	30	49	50
Oil & Gas	30	49	50
Plantations	30	49	50
Mines	30	49	50
Others	30	49	50

## RIGHTS OFFERS

Equities, Fixed Interest, Commercial, Industrial, Financial & Property, Oil & Gas, Plantations, Mines, Others

	Rise	Fall	Stale
Equities	157	432	854
Fixed Interest	73	244	54
Commercial, Industrial	9	20	31
Financial & Property	30	49	50
Oil & Gas	30	49	50
Plantations	30	49	50
Mines	30	49	50
Others	30	49	50

## LIFFE EQUITY OPTIONS

Equities, Fixed Interest, Commercial, Industrial, Financial & Property, Oil & Gas, Plantations, Mines, Others

	Rise	Fall	Stale
Equities	157	432	854
Fixed Interest	73	244	54
Commercial, Industrial	9	20	31
Financial & Property	30	49	50
Oil & Gas	30	49	50
Plantations	30	49	50
Mines	30	49	50
Others	30	49	50

## EURO FTSE INDEX (1992)

Equities, Fixed Interest, Commercial, Industrial, Financial & Property, Oil & Gas, Plantations, Mines, Others

	Rise	Fall	Stale
Equities	157	432	854
Fixed Interest	73	244	54
Commercial, Industrial	9	20	31
Financial & Property	30	49	50
Oil & Gas	30	49	50
Plantations	30	49	50
Mines	30	49	50
Others	30	49	50

## FTSE INDEX (1992)

Equities, Fixed Interest, Commercial, Industrial, Financial & Property, Oil & Gas, Plantations, Mines, Others

	Rise	Fall	Stale
Equities	157	432	854
Fixed Interest	73	244	54
Commercial, Industrial	9	20	31
Financial & Property	30	49	50
Oil & Gas	30	49	50
Plantations	30	49	50
Mines	30	49	50
Others	30	49	50

## TRADITIONAL OPTION 3-month call rates

Equities, Fixed Interest, Commercial, Industrial, Financial & Property, Oil & Gas, Plantations, Mines, Others

	Rise	Fall	Stale
Equities	157	432	854
Fixed Interest	73	244	54
Commercial, Industrial	9	20	31
Financial & Property	30	49	50
Oil & Gas	30	49	50
Plantations	30	49	50
Mines	30	49	50
Others	30	49	50

## TRADITIONAL OPTION 3-month call rates

Equities, Fixed Interest, Commercial, Industrial, Financial & Property, Oil & Gas, Plantations, Mines, Others

	Rise	Fall	Stale
Equities	157	432	854
Fixed Interest	73	244	54
Commercial, Industrial	9	20	31



## COMPANY NEWS: UK

## Vodafone rings up 11% advance

By Roland Rudd

VODAFONE GROUP, the mobile telephone company which was demerged from Racal Electronics, yesterday announced that it is to double annual capital expenditure as it reported an 11 per cent increase in profits for the year to end-March.

Pre-tax profits rose from £244.7m to £271.8m on the back of an increase in sales from £584.8m to £595.3m.

Capital expenditure is expected to double this year to £120m with a further £100m earmarked for the following year.

This is mainly to fund the switch to digital equipment, allowing pan-European use of its portable phones, and the introduction of the next generation of micro-cellular phones to be introduced in about 18 months.

Mr Gerry Whent, Vodafone's chief executive, said that after an initial recovery, the economy was "bumping along on a plateau with little sign of a real upturn".

The pessimistic outlook was reflected in the proportion of customers leaving the network each year, which rose from 21



Gerry Whent: 'not a single yuppie among our customers'

per cent to 24 per cent, although it has currently been reduced to 22 per cent. It was 15 per cent before the start of the recession.

Revenue per customer also fell year-on-year from £730 to £711, although it was up on last summer's figure of £700. The total number of subscribers

increased by 44,000 to 715,000. The group said it had maintained its lead over Cellnet with 56 per cent of the cellular market.

Mr Whent described the micro-cellular service which it plans to introduce in 18 months as a "reduced service at a reduced price" aimed at

the retail market. About 95 per cent of the group's present customers are businessmen.

Micro-cellular networks are being designed to compete with personal communication networks owned by Mercury PCN, a consortium led by Mercury Communications and Hutchison.

The group does not believe it will face significant competition until 1994.

Mr Whent said the group's continued growth through the recession proved the media wrong in thinking that mobile telephones were "yuppie inventions". He added: "We do not have a single yuppie among our customers; the portable phone is a required business tool."

The group improved its cash position from £34m to £65m, which reflected the increase in interest receivable to £38m (£24m).

The number of shares held in the US in the form of ADRs, has risen by 2 per cent to 15 per cent.

Earnings per share rose to 18.3p (16.9p). A final dividend of 2.94p makes a total of 5.3p (5.27p), excluding the special dividend paid on demerger from Racal.

## Emap calls for £77.9m to fund growth

By Raymond Snoddy

EMAP, the publishing and exhibitions group, yesterday announced a £77.9m rights issue to enable it to continue with its strategy of buying and launching new titles.

The announcement of the issue of 34.7m shares on a 1-for-4 basis at 300p apiece accompanied pre-tax profits of £27.1m for the year to March 28, an increase of 9 per cent on last year's £24.8m.

The figures were struck after exceptional costs of £2.75m (£7.11m). The previous year's figure was restated to take account of recent accounting standards recommendations about the treatment of exceptional and extraordinary items.

The share price fell 4p yesterday to close at 281p.

Over the last three years Emap has spent £121m on acquisitions, including a number of the late Mr Robert Maxwell's business magazines and exhibitions.

About £65m was spent in the last 12 months. Over the same period a further £17m was spent on launching 30 consumer magazines, four business magazines and seven exhibitions.

Before the rights Emap's internal budget suggested average borrowing of £64m in the present financial year.

"The directors believe that this level of borrowing would be likely to restrict their ability to react to acquisition and investment opportunities in a timely and flexible fashion and that the rights issue is the most appropriate way to remove this constraint," the company said yesterday.

The issue is fully underwritten by Schroders and Emap, said that the sub-underwriting had been successfully completed by the end of business yesterday.

Negotiations for a British publishing acquisition worth less than £10m are already under way.

Emap will be looking at further expansion into continental Europe particularly in consumer magazines. Purchases are likely to be in the small to medium range which Emap considers to be up to £20m.

Mr Graham Ross Russell, chairman, said yesterday that all divisions increased operating profits in the second half when overall operating profit increased by 22 per cent. This was mainly due to cost-cutting rather than any recovery from recession.

Mr Robin Miller, group chief executive, said that advertising had stopped going down, "but is so far showing no real signs of going up". Display advertisements were improving but jobs ads are still falling year-on-year.

Turnover was static at £269.4m (£269.3m). Net interest charges rose to £2.93m (£1.17m). Earnings per share increased by 9 pence to 12.6p. An increased final dividend of 5.9p is proposed for a total payment of 7.5p (6.9p).

Analysts are predicting pre-tax profits of between £40m and £42m for the current year and about £53m for 1993-94. See Observer

## Great Portland static as asset value falls for third year

By Vanessa Houlder, Property Correspondent

GREAT PORTLAND Estates yesterday underlined the continued pressure on central London property values by announcing a 26 per cent fall in its net asset value, from 288p to 212p, for the 12 months to March 31, its third consecutive year of declining assets.

Pre-tax profits increased marginally, from £33.8m to £35.5m, before taking account of an extraordinary loss of £12.7m which resulted from the disposal of its investment in Bride Hall, an investment and trading company.

"It is generally accepted that we face the worst conditions to have been experienced in nearly half a century," said Mr Richard Peskin, chairman. "Recovery from this deep recession is likely to be slow and fragile and, inevitably, property values will lag behind any general improvement in the economy," he said. He expected the next year "to be primarily one of consolidation".

Mr Peskin said that the dividend was likely to be maintained. "At this time I have no reason to feel that, except in the most unlikely of circumstances, the current dividend of 10p will not be paid for the year ending March 31 1993," he said.

Over the period, the company spent £300m in reducing the exposure to central London from 63 per cent to 57 per cent and increasing its retail and industrial property from 14 per cent to 24 per cent.

Rental income increased by 20 per cent to £70.7m. Gross

rental income at the end of the period was more than £32m a year, of which 85 per cent is expected to be secure for three years.

The company has cash balances of £24.8m and more than £100m of unused facilities.

Dividends comprised 7 per cent of

Regalian Properties has sold its stake of 3.99m shares in Frogmore, another property company, for £10.6m.

Regalian described the holding as a "strategic stake" when it bought it last October for £14m. It said it would give it an interest in income-producing property at a discount to net assets and was in line with its strategy of developing an investment portfolio.

City analysts assumed that

floor area and 10 per cent of gross rental income, representing £5m of rental income.

Great Portland's investment property was valued by Hillier Parker at £874m, reflecting a yield of 8.2 per cent on current income, representing a decline of just under 14 per cent for the year.

The revaluation comprised an 18.7 per cent decline in London's West End, Victoria and Covent Garden; a 19.4 per cent fall in the City and Holborn; a 4.3 per cent fall in outer London and suburbs; and a 3 per cent rise in the provinces.

Office and commercial property fell by 16 per cent; retail and showroom by 4.5 per cent and light industrial by 8.5 per cent.

Earnings per share fell from 11.5p to 11.2p. A final divi-

dend of 6.6p is proposed making an unchanged total for the year of 10p.

## COMMENT

An otherwise dreary chairman's statement was leavened with Mr Peskin's idiosyncratic wit. "When the going gets tough, the tough get going."

Regalian was preparing to make a full bid and that its plans were thwarted by its inability to sell a 280m block of flats in Kensington.

Regalian acquired the holding from Southern Properties, which bought the stake when it launched its unsuccessful £139m bid for Frogmore.

Regalian is due to announce its annual results today.

## Continental sales help Powerscreen to £18.8m

By Jane Fuller

SALES GROWTH in continental Europe helped Powerscreen International, the Northern Ireland-based maker of screening and crushing equipment, to increase annual pre-tax profit to £18.8m.

The advance, from a restated £15.8m, followed a 22 per cent rise in turnover to £88.1m (£72.3m) in the year to March 31. It was the company's fifth year of profits growth.

Mr Shay McKeown, chief executive, said the Continent's share of sales had risen from less than 12 per cent in 1988 to 36 per cent last year. Germany had been a strong market, particularly for the recycling of material to lay as a base for new infrastructure.

North America still accounted for the largest proportion of sales with 39 per cent. Guzzler, which makes truck-mounted suction equipment for waste removal, was in for a full year instead of eight months. Under Powerscreen's ownership it had broken into the municipal market for cleaning sewers.

Two more recent acquisitions, Finlay and Mathro in the UK, contributed 12 per cent of sales and £300,000 to pre-tax profit, which was better than expected.

Product development had been another important part of the group's growth. The Powerscreen Commander, which gives a three-way split in the screening of aggregates, had built up to 17 per cent of group sales since its 1988 launch.

Mr Barry Cosgrove, finance director, said new subsidiaries brought in about £7.5m debt. Nevertheless, the group finished the year with a small amount of cash in hand, compared with £2m net cash in March 1991.

The previous year's figures were restated because it had been decided to write off research and development spending in the year it was incurred instead of capitalising it.

With extra shares in issue and a higher tax charge, fully diluted earnings per share rose 9 pence to 16.1p (14.9p). A final dividend of 4.3p makes a total of 6p (5.65p).

## COMMENT

Powerscreen has proved to be one of the best recession-beating stories in the engineering sector. Years of work on overseas markets have built up non-UK sales to 73 per cent. Its products can handle a variety of materials, from rubble and coal to sewage, and its specialisation in mobile machines has proved difficult to compete with. Where it has been affected by slackening demand, it has limited the damage.

Machine volumes at Powerscreen and Brown Lenox, its two biggest subsidiaries, were 2-3 per cent down last year, whereas it is estimated the building and construction market in western Europe and North America fell 15 per cent. Mr McKeown reckons that these two offshore will provide the main sources of growth this year, particularly as the US recovers. Pre-tax profit is forecast to top £22m - giving a prospective multiple of 15, in line with the market. This represents a substantial re-rating as the shares have doubled in value to 283p since the beginning of last year. Nevertheless, it can still be argued that the stock deserves to trade at a premium.

## Polly Peck pay-out could bottom at 3p

By Richard Donkin

Creditors of Polly Peck International, the collapsed fruit and electronics group, have been told they may receive no more than 3p in the pound when administrators complete their disposals.

Coopers and Lybrand Deloitte and Touche Ross, the joint administrators, have told the creditors in a six monthly update that the best estimate of a return is now 11p in the pound with a lowest estimate of 3p in the pound.

This excludes any contribution from northern Cyprus or from legal actions launched by Mr Christopher Morris, the Touche Ross administrator, against Mr Asil Nadir, the former chairman of Polly Peck, and other related parties.

Originally the administrators had hopes of achieving a much higher figure.

## Slimmer Stakis loses £3.4m

By James Buxton, Scottish Correspondent

STAKIS, the hotels and healthcare group where a rescue was launched last year by Sir Lewis Robertson, yesterday highlighted a 23 per cent improvement in operating profits from its core businesses as evidence that its fortunes were beginning to recover.

However, the group incurred a pre-tax loss of £3.3m for the six months to March 29.

That compared with losses of £45.1m last time after exceptional costs of £43.7m.

Excluding the exceptional item, the pre-tax loss was roughly halved, reflecting interest payments up from £6.61m to £11.8m.

Sir Lewis became chairman last spring.

He sacked Mr Andros Stakis, the chief executive and son of Sir Leo Stakis, the Glasgow-based company's founder and previous chairman, and

embarked on slimming the group.

In December Mr David Michels, formerly with Hilton International, became chief executive.

Operating profit from continuing activities increased from £4.92m to £6.41m, with operating profit in hotels rising 36 per cent to £4.7m reflecting reduced overheads and improved margins. Healthcare operating profit doubled to £1.38m as nursing homes filled up and the business matured.

Operating profit in casinos, which Stakis is retaining after failing to sell them at a satisfactory price, fell 36 per cent to £2.46m because of reduced takings from the Barracuda in London and from casinos in the north of England.

Overall operating profit, including businesses to be discontinued, rose 13 per cent, from £7.45m to £8.38m. Because of the decision not to sell the casinos, Stakis is

still negotiating with its 21 banks, some of them foreign, to roll over its debt, which has declined from £215m last September to £200m.

"In practice there has been a rolling over," Sir Lewis, "but the formalities are not yet complete. The big banks have been helpful but the conveyance has to move at the pace of the slowest."

As part of the recovery policy Stakis has sold its public houses and most of its restaurants, and entrusted its commercial property portfolio to the management of Co-ordinated Land and Estates, which has so far achieved sales of £45m.

Losses per share were 1.34p (16.32p) and no interim dividend is declared (0.45p).

Although analysts expect the group roughly to break even this year, Sir Lewis said that "the signs for next full year to September 1993 are at present encouraging."



Tim Melville-Ross: losses arising from difficulties in housing market have been stemmed

## Nationwide tumbles to £201.9m

By David Barrow

PRE-TAX PROFITS at Nationwide, the second largest UK building society, tumbled by 29 per cent to £201.9m in the year to April 4.

The fall reflected provisions of £235.9m against doubtful loans, the highest such charge in the industry.

Operating profits before provisions were up from £379.5m to £437.2m.

Mr Tim Melville-Ross, chief executive, said the results showed that the society had managed to stem the decline in its losses arising from unparalleled difficulties in the housing market last year.

Analysis agreed that the result was better than had been feared. "There are signs that despite another disappointing result, Nationwide is on course for improvement," said Mr John Wrigglesworth, building society analyst at UBS Phillips & Drew.

Total assets were up by 9.6 per cent to £24bn, while net mortgage lending was down to £2.6bn (£2.5bn). Retail savings were up from £23.5bn to £25bn. About 23 per cent of funding is now raised on the wholesale money markets rather than through deposits.

The interest margin narrowed slightly, from 2.35 per cent to 2.21 per cent. Losses at

Nationwide Estate Agents were reduced from £15m to £12m.

On other fronts there were signs of improvement. The cost-income ratio fell for the fourth year in succession to 85.2 per cent. There was a 31 per cent increase in income from fees and commissions to £255.6m, mostly achieved through the sale of insurance through its branches.

The society has also maintained a strong capital ratio. The Tier 1 capital ratio is now 8.45 per cent (8.34 per cent) and is expected to rise to 8.7 per cent shortly when the society goes ahead with an issue of permanent interest-bearing shares in London.

## BSS funds Cadel purchase with £16m rights

By Jane Fuller

BSS GROUP will become the second largest distributor in the domestic heating market, after Wobesley, with the £19.1m purchase of Cadel from Meyer International.

It is, however, a market that has been hard hit by recession and Cadel has incurred operating losses of more than £10m in the past two years.

BSS is funding the purchase with a £16.2m rights issue on a 1-for-4 basis, priced at 330p a share.

Its share price fell 39p to close at 378p yesterday.

BSS is acquiring only 37 of Cadel's 50 remaining branches, mainly in Scotland, the north-east of England and the Midlands. The remaining ones are being closed by Meyer.

Mr Ian Phillips, chairman, said BSS had selected outlets on two grounds: to extend the group's national coverage and to take the more profitable sites.

With a total of 56 outlets, its share of the domestic heating sector would amount to 14 per cent. The chain was established through the acquisitions of Heatek and Labone in 1989. The merged business had a turnover of about £55m last year.

BSS said the section of the Cadel chain that it was buying made a trading profit of £1.77m on turnover of £67.8m last year. It was paying a 56m discount to the £25.1m net assets.

It was taking on all of Cadel's stock, debtors and creditors. By reducing the working capital and phasing the payments for the business, the £16.2m raised should cover the cost of the acquisition, Mr Phillips said.

At its March 31 year-end, net debt had fallen to £17.5m (£20.3m), gearing of 38 per cent.

The group also announced yesterday a 25 per cent decline in pre-tax profit,

from £13.3m to £10m, on sales of £209.3m (£219.7m). This was after a near 11m cut in interest costs to £1.8m.

Earnings per share fell to 31.8p (41.6p). A final dividend of 11.5p makes an unchanged total of 17.25p.

BSS also operates more than 60 branches serving the industrial and commercial markets.

It said those had continued to

weaken and were expected to remain in recession until next year. However, it believed the domestic heating and plumbing market would start to recover later this year.

## Meyer tumbles 32% and sells lossmaker for £19m

MEYER International, which owns the Jewson builders' merchant chain, is ending an expensive three and a half year long foray into heating and plumbing distribution with the sale of Cadel to BSS Group, writes Jane Fuller.

The extraordinary losses made on the sale, associated closures and goodwill adjustments total £41m.

Acquired with the UBM builders' merchants branches in a part-exchange deal with Norros in 1988, Cadel lost £5.3m last year.

Mr Richard Jewson, Meyer's chairman, said the business had reached the point of "double or quits" and the group had decided "to bite the bullet and get out".

With net debt unchanged at

£102m at the end of March, gearing went up from 37 to 40 per cent because of the reduction in net assets caused by the Cadel provisions. The £19.1m phased proceeds of the sale would at least restore gearing to the lower level.

He admitted that the Cadel venture had proved a mistake, but pointed out that it came with UBM which had been incorporated into Jewson.

At the same time Meyer announced a 32 per cent fall in pre-tax profits to £24.6m (£36.1m) on flat turnover of £1.12bn in the year to March 31.

The pre-interest profit figure of £29.3m (£32.8m) included £6.5m (£5.3m) of gains on property disposals. Net interest costs fell £2m to £14.7m.

The 203-strong Jewson chain made an operating profit of £18.1m (£26.9m) on sales of £406m (£419m). Market share had increased, but prices had come under severe pressure and that had continued into this year.

Forest Products made £8.5m (£13.3m) profit on £213m (£231m) turnover. Timber prices were no higher than in 1989.

Both subsidiaries were sensitive to the level of house moves, because of the link with renovation and new building. The number of moves had dropped from 2.1m in 1989 to 1.3m last year. Private housing starts fell from about 230,000 in 1988 to 135,000 in each of the last two years.

Fontmeyer, the Dutch sub-

sidary, improved to £9.7m (£7.5m) profit on £234m (£243m) sales. The growing German business was being incorporated into it.

Earnings per share fell to 19.2p (£27.9p). An unchanged final dividend of 12.3p maintains the total at 16.5p.

## COMMENT

It was *mea culpa* day for Meyer as Cadel made its final dents on the figures. Yet no one suggested the business should have been kept. Mr Jewson stressed the group would now "stick to its knitting", namely the strong market positions of Jewson, Forest Products and Fontmeyer - with its promising German dimension. It is a pity that they are saddled with relatively high group interest

payments as well as with severe price competition in the yards. Critics rub salt in the wound by saying that if only £80m had not been wasted on Cadel and the abortive bid for Travis & Arnold, the company would look wonderful. Now that it is down to its core, the question revolves around the housing outlook. Mr Jewson did not help the bulls' cause by saying there were no signs of recovery - and when it did come it would be flattened by the ERM and low house values.

Pre-tax profit estimates range from £24m to £28m, excluding p/e approaching 20 times. The price has fallen from nearly 500p last August/September to 388p. For believers in housing recovery, it is at least a hold.

## FIDELITY FAR EAST FUND

Société d'Investissement à Capital Variable  
Kansallis House  
Place de l'Etoile  
L-1021 Luxembourg

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of FIDELITY FAR EAST FUND, a société d'investissement à capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallis House, Place de l'Etoile, Luxembourg, at 11:00 a.m. on June 30, 1992, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the fiscal year ended February 29, 1992.
4. Discharge of the Board of Directors and the Auditor.
5. Election of six (6) Directors, specifically the reelection of Messrs. Edward C. Johnson 3d, Barry R. J. Baneam, Charles T. M. Collis, Charles A. Fraser, Jean Hamillius and H. F. van den Hoven.
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.
7. Declaration of a cash dividend in respect of the fiscal year ended February 29, 1992, and authorisation of the Board of Directors to declare further dividends in respect of fiscal year 1992 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
8. Consideration of such other business as may properly come before the meeting.

Approval of the above items of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with no minimum number of shares present or represented in order for a quorum to be present. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute in the aggregate more than three percent (3 %) of the outstanding shares, each share is entitled to one vote. A Shareholder may act at any meeting by proxy.

Dated: May 7, 1992

BY ORDER OF THE BOARD OF DIRECTORS

Fidelity Investments















## LONDON SHARE SERVICE

## AMERICANS

Company	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	9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## LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Trust	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592
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## FT MANAGED FUNDS SERVICE

Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute (cheap rate) and 46p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 528-2128.

AUTHORISED  
UNIT TRUSTS

Unit Trust Managers Limited (0900000)

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## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Laurus 88

**INITIAL CHARGE:** Charge made on sale of units. Based on the net asset value of the fund at the time of the sale. The charge is expressed as a percentage of the net asset value of the fund at the time of the sale.

**OFFER PRICE:** Also called bid price. The price at which units are bought by investors. The price is expressed as a percentage of the net asset value of the fund at the time of the sale.

**CANCELLATION PRICE:** The price at which units are sold by investors. The price is expressed as a percentage of the net asset value of the fund at the time of the sale.

**NET ASSET VALUE:** The value of the fund's assets minus its liabilities. It is expressed as a percentage of the fund's total assets.

**UNIT PRICE:** The price of one unit of the fund. It is expressed as a percentage of the net asset value of the fund at the time of the sale.

**UNIT TRUST:** A collective investment scheme in which investors pool their money to buy shares in a fund. The fund is managed by a professional fund manager.

**UNIT TRUST MANAGER:** The person responsible for managing the fund. They make decisions about which investments to buy and sell.

**UNIT TRUST CODE:** A unique code assigned to each unit trust. It is used to identify the fund and its manager.

**UNIT TRUST LIST:** A list of all the unit trusts available in the UK. It provides information about each fund, including its name, manager, and investment objectives.

**UNIT TRUST SERVICE:** A service provided by the Financial Times to help investors choose the right unit trust for their needs. It provides information about the latest unit trusts and their performance.

**UNIT TRUST GUIDE:** A guide to the unit trust market. It provides information about the different types of unit trusts and how to choose the right one for your needs.

**UNIT TRUST REVIEW:** A review of the unit trust market. It provides information about the latest trends in the market and the performance of the major funds.

**UNIT TRUST ANALYSIS:** An analysis of the unit trust market. It provides information about the different types of unit trusts and how they are performing.

**UNIT TRUST COMMENTARY:** Commentary on the unit trust market. It provides information about the latest news and developments in the market.

**UNIT TRUST NEWS:** News about the unit trust market. It provides information about the latest events and developments in the market.

**UNIT TRUST MARKET:** The market for unit trusts. It is the place where unit trusts are bought and sold.

**UNIT TRUST INDUSTRY:** The industry of unit trusts. It is the group of people and organisations involved in the unit trust market.

**UNIT TRUST SECTOR:** The sector of unit trusts. It is the part of the financial services industry that deals with unit trusts.

**UNIT TRUST MARKET:** The market for unit trusts. It is the place where unit trusts are bought and sold.

**UNIT TRUST INDUSTRY:** The industry of unit trusts. It is the group of people and organisations involved in the unit trust market.



Continued on next page







● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## EMS comments raise D-Mark

THE D-MARK appreciated sharply against European currencies yesterday morning after the President of the German Bundesbank said that a realignment of the European Monetary System was not impossible, writes James Bly.

Although the D-Mark rally petered out later in the day, the German currency still closed in London maintaining the gains it has made against sterling and the Italian lira in recent days. The French franc and the Spanish peseta ended the day slightly stronger overall, but only after senior financial officials had made comments in their support. The London market remained convinced that the troubles over European Monetary Union (EMU) triggered by Denmark's rejection of the Maastricht treaty last week have not played themselves out.

Comments from Mr Helmut Schlesinger, the Bundesbank President, casting doubt on the 1992 deadline for EMU as too

optimistic, forced the D-Mark sharply upwards against sterling in the first hours of London trading. The pound hit a low of DM2.9077, but was propped up by better-than-expected May producer prices figures showing a rise of 0.1 per cent. Sterling ended the day unchanged on its previous close at DM2.9150.

The Italian lira looked more anaemic, finishing at Lira757.40 to the D-Mark, compared to a previous close of Lira756.80. The currency also ended at the bottom of the EMS grid, just below sterling.

The French franc recovered against the D-Mark after the French Finance Minister made a strong appeal for a franc fort. The D-Mark closed at FF3.367, slightly down on a previous close of FF3.370. The Spanish peseta also held its ground, helped by a statement from the EC Finance Ministers supporting Spain's current effort to meet the Maastricht convergence criteria. It closed the day

at Ptas62.98 against a previous close of Ptas63.12.

The dollar finished the day barely changed on its previous close against the D-Mark, after the markets had tested the US currency's downside at \$1.5890. It finished in Europe at DM1.5900 compared to a previous close of DM1.5895.

The dollar's fortunes will now be determined by US inflation and retail sales figures for May due out on Thursday. If the retail sales figure emerges lower than the expected 0.5 per cent rise, the market may test the dollar's downside again, expecting that the Federal Reserve might reduce interest rates.

But some are bullish about the US currency's longer term prospects. "Once the post Maastricht blues are out of the way, the D-Mark will weaken," said one analyst. "Anticipation that the Bundesbank will ease rates will also undermine the D-Mark."

## E IN NEW YORK

	June 9	June 8	June 7
1 month	1.8342-1.8352	1.8345-1.8355	
3 months	1.8342-1.8352	1.8345-1.8355	
6 months	1.8342-1.8352	1.8345-1.8355	
12 months	1.8342-1.8352	1.8345-1.8355	

Forward premium and discount rates to the US dollar

## STERLING INDEX

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## CURRENCY MOVEMENTS

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## CURRENCY RATES

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## OTHER CURRENCIES

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## FINANCIAL FUTURES AND OPTIONS

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## LONDON (LIFE)

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## CHICAGO

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## PARIS

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## EURO-CURRENCY INTEREST RATES

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## EXCHANGE CROSS RATES

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## MONEY RATES

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## LONDON MONEY RATES

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## MONEY MARKETS

## Futures up after dip

SHORT dated sterling money market futures dipped sharply lower yesterday morning as traders reacted nervously to the pound's losses on the foreign exchange markets.

The September short sterling contract dipped down to 90.12, its lowest level since the 1/4 percentage point base rate cut in May, as sterling reached a low point of DM2.9077 in the morning. The contract later recovered in tandem with the currency to close at 90.23. This closing price implies that the three month sterling interbank rate in September will be 9.77 per cent.

Similar gyrations were seen in the June short sterling

newspaper report that the Treasury had cut its growth forecast for 1992. Although the Treasury said it had not revised its forecast, any such fall in its growth estimates might suggest the need for a new base rate cut.

There was far less activity in the sterling cash market, after the Bank of England forecast a small shortage in the morning of £250m. As sometimes happens with the smaller shortages, this one proved difficult to remove. The Bank did not operate in the market during the day and provided last assistance at 2.45 pm of around £140m.

The difficulties removing the shortage meant that short term rates in the cash market firmed slightly in the morning. But they ended the day unchanged on Monday's close. 1-month money ended at 9 1/4 per cent, while everything from 2 months to 9 months closed at 10 1/4 per cent.

Traders reported that there was a slightly more bearish tone to the market, with more sellers than buyers. The overnight rate was reported to have hit a low of 8 1/4 per cent in the morning, and closed at 9 1/4 per cent.

German call money was steady at 9.60-9.65 per cent yesterday, unchanged at the levels seen on Friday, before Monday's one-day holiday.

## FT LONDON INTERBANK FIXING

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## MONEY RATES

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## LONDON MONEY RATES

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## MONEY MARKET FUNDS

## Money Market Trust Funds

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## Money Market Bank Accounts

	June 9	June 8	June 7
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5
100	92.5	92.5	92.5

Source: Bank of England. Sterling index: 1992=100. Base of sterling index: 1992=100. Base of sterling index: 1992=100.

## JOTTER PAD

## CROSSWORD

No.7,869 Set by CINEPHILE

Across

1 Reaction to nitwit on a bender (4,4)

2 Shins of walker with pony? (6)

3 Rabble-rousing needs a giant in paper size (8)

4 Showman, the greatest, not counting the miners (6)

5 Lines he goes in last (2,3,2)

6 With art, the classical's always with it (6)

7 Article in part of France where it came from (10)

8 Tale written by another (7) gives good numbers to Conservative (5,5)

9 Very hot mass of metal with easting inside (6)

10 Famine will cause prolonged damage to town (8)

11 Heavenly lights of gold in atmosphere (6)

12 In his salad days, member for great seaside town (8)

13 You French speakers make bloomers (6)

14 Standard weight on Teesside (6)

15 Take child by hand? (6)

16 In my 10 pound hoodies (6)

17 Flea that dances on mast or bridge (6)

18 Bring new life to ruler (English) - about time! (10)

19 Front rank of column? (6)

20 Nobody got fine? That's an anticlimax (6)

21 A few people have rest disturbed in the south-west (6)

22 French settlers in remarkable victory in another of their old colonies (5,5)

23 Aubergine, for example, in great little scheme (6)

24 Punishment with two stripes? (6)

25 Hair style raised remark at harvest (4,4)

26 In acid with relation to 1089 (6)

27 Little change to little dance (6)

28 High and low ground, one might hear, between barrels? (6)

Solution to Puzzle No.7,868

SUSAN GOODWIN

BARBARA GOODWIN

ALAN GOODWIN

JOHN GOODWIN

JOHN GOODWIN

JOHN GOODWIN

JOHN GOODWIN

JOHN GOODWIN

JOHN GOODWIN

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CANADA

Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng
TORONTO																	
4:00 pm prices June 8																	
Quotations in cents unless marked S																	
4000 Albitol P	518 1/2	518	518	518	0	4000 Albitol P	518 1/2	518	518	518	0	4000 Albitol P	518 1/2	518	518	518	0
4000 Albitol S	518 1/2	518	518	518	0	4000 Albitol S	518 1/2	518	518	518	0	4000 Albitol S	518 1/2	518	518	518	0
4000 Albitol T	518 1/2	518	518	518	0	4000 Albitol T	518 1/2	518	518	518	0	4000 Albitol T	518 1/2	518	518	518	0
4000 Albitol U	518 1/2	518	518	518	0	4000 Albitol U	518 1/2	518	518	518	0	4000 Albitol U	518 1/2	518	518	518	0
4000 Albitol V	518 1/2	518	518	518	0	4000 Albitol V	518 1/2	518	518	518	0	4000 Albitol V	518 1/2	518	518	518	0
4000 Albitol W	518 1/2	518	518	518	0	4000 Albitol W	518 1/2	518	518	518	0	4000 Albitol W	518 1/2	518	518	518	0
4000 Albitol X	518 1/2	518	518	518	0	4000 Albitol X	518 1/2	518	518	518	0	4000 Albitol X	518 1/2	518	518	518	0
4000 Albitol Y	518 1/2	518	518	518	0	4000 Albitol Y	518 1/2	518	518	518	0	4000 Albitol Y	518 1/2	518	518	518	0
4000 Albitol Z	518 1/2	518	518	518	0	4000 Albitol Z	518 1/2	518	518	518	0	4000 Albitol Z	518 1/2	518	518	518	0
4000 Albitol AA	518 1/2	518	518	518	0	4000 Albitol AA	518 1/2	518	518	518	0	4000 Albitol AA	518 1/2	518	518	518	0
4000 Albitol AB	518 1/2	518	518	518	0	4000 Albitol AB	518 1/2	518	518	518	0	4000 Albitol AB	518 1/2	518	518	518	0
4000 Albitol AC	518 1/2	518	518	518	0	4000 Albitol AC	518 1/2	518	518	518	0	4000 Albitol AC	518 1/2	518	518	518	0
4000 Albitol AD	518 1/2	518	518	518	0	4000 Albitol AD	518 1/2	518	518	518	0	4000 Albitol AD	518 1/2	518	518	518	0
4000 Albitol AE	518 1/2	518	518	518	0	4000 Albitol AE	518 1/2	518	518	518	0	4000 Albitol AE	518 1/2	518	518	518	0
4000 Albitol AF	518 1/2	518	518	518	0	4000 Albitol AF	518 1/2	518	518	518	0	4000 Albitol AF	518 1/2	518	518	518	0
4000 Albitol AG	518 1/2	518	518	518	0	4000 Albitol AG	518 1/2	518	518	518	0	4000 Albitol AG	518 1/2	518	518	518	0
4000 Albitol AH	518 1/2	518	518	518	0	4000 Albitol AH	518 1/2	518	518	518	0	4000 Albitol AH	518 1/2	518	518	518	0
4000 Albitol AI	518 1/2	518	518	518	0	4000 Albitol AI	518 1/2	518	518	518	0	4000 Albitol AI	518 1/2	518	518	518	0
4000 Albitol AJ	518 1/2	518	518	518	0	4000 Albitol AJ	518 1/2	518	518	518	0	4000 Albitol AJ	518 1/2	518	518	518	0
4000 Albitol AK	518 1/2	518	518	518	0	4000 Albitol AK	518 1/2	518	518	518	0	4000 Albitol AK	518 1/2	518	518	518	0
4000 Albitol AL	518 1/2	518	518	518	0	4000 Albitol AL	518 1/2	518	518	518	0	4000 Albitol AL	518 1/2	518	518	518	0
4000 Albitol AM	518 1/2	518	518	518	0	4000 Albitol AM	518 1/2	518	518	518	0	4000 Albitol AM	518 1/2	518	518	518	0
4000 Albitol AN	518 1/2	518	518	518	0	4000 Albitol AN	518 1/2	518	518	518	0	4000 Albitol AN	518 1/2	518	518	518	0
4000 Albitol AO	518 1/2	518	518	518	0	4000 Albitol AO	518 1/2	518	518	518	0	4000 Albitol AO	518 1/2	518	518	518	0
4000 Albitol AP	518 1/2	518	518	518	0	4000 Albitol AP	518 1/2	518	518	518	0	4000 Albitol AP	518 1/2	518	518	518	0
4000 Albitol AQ	518 1/2	518	518	518	0	4000 Albitol AQ	518 1/2	518	518	518	0	4000 Albitol AQ	518 1/2	518	518	518	0
4000 Albitol AR	518 1/2	518	518	518	0	4000 Albitol AR	518 1/2	518	518	518	0	4000 Albitol AR	518 1/2	518	518	518	0
4000 Albitol AS	518 1/2	518	518	518	0	4000 Albitol AS	518 1/2	518	518	518	0	4000 Albitol AS	518 1/2	518	518	518	0
4000 Albitol AT	518 1/2	518	518	518	0	4000 Albitol AT	518 1/2	518	518	518	0	4000 Albitol AT	518 1/2	518	518	518	0
4000 Albitol AU	518 1/2	518	518	518	0	4000 Albitol AU	518 1/2	518	518	518	0	4000 Albitol AU	518 1/2	518	518	518	0
4000 Albitol AV	518 1/2	518	518	518	0	4000 Albitol AV	518 1/2	518	518	518	0	4000 Albitol AV	518 1/2	518	518	518	0
4000 Albitol AW	518 1/2	518	518	518	0	4000 Albitol AW	518 1/2	518	518	518	0	4000 Albitol AW	518 1/2	518	518	518	0
4000 Albitol AX	518 1/2	518	518	518	0	4000 Albitol AX	518 1/2	518	518	518	0	4000 Albitol AX	518 1/2	518	518	518	0
4000 Albitol AY	518 1/2	518	518	518	0	4000 Albitol AY	518 1/2	518	518	518	0	4000 Albitol AY	518 1/2	518	518	518	0
4000 Albitol AZ	518 1/2	518	518	518	0	4000 Albitol AZ	518 1/2	518	518	518	0	4000 Albitol AZ	518 1/2	518	518	518	0
4000 Albitol BA	518 1/2	518	518	518	0	4000 Albitol BA	518 1/2	518	518	518	0	4000 Albitol BA	518 1/2	518	518	518	0
4000 Albitol BB	518 1/2	518	518	518	0	4000 Albitol BB	518 1/2	518	518	518	0	4000 Albitol BB	518 1/2	518	518	518	0
4000 Albitol BC	518 1/2	518	518	518	0	4000 Albitol BC	518 1/2	518	518	518	0	4000 Albitol BC	518 1/2	518	518	518	0
4000 Albitol BD	518 1/2	518	518	518	0	4000 Albitol BD	518 1/2	518	518	518	0	4000 Albitol BD	518 1/2	518	518	518	0
4000 Albitol BE	518 1/2	518	518	518	0	4000 Albitol BE	518 1/2	518	518	518	0	4000 Albitol BE	518 1/2	518	518	518	0
4000 Albitol BF	518 1/2	518	518	518	0	4000 Albitol BF	518 1/2	518	518	518	0	4000 Albitol BF	518 1/2	518	518	518	0
4000 Albitol BG	518 1/2	518	518	518	0	4000 Albitol BG	518 1/2	518	518	518	0	4000 Albitol BG	518 1/2	518	518	518	0
4000 Albitol BH	518 1/2	518	518	518	0	4000 Albitol BH	518 1/2	518	518	518	0	4000 Albitol BH	518 1/2	518	518	518	0
4000 Albitol BI	518 1/2	518	518	518	0	4000 Albitol BI	518 1/2	518	518	518	0	4000 Albitol BI	518 1/2	518	518	518	0
4000 Albitol BJ	518 1/2	518	518	518	0	4000 Albitol BJ	518 1/2	518	518	518	0	4000 Albitol BJ	518 1/2	518	518	518	0
4000 Albitol BK	518 1/2	518	518	518	0	4000 Albitol BK	518 1/2	518	518	518	0	4000 Albitol BK	518 1/2	518	518	518	0
4000 Albitol BL	518 1/2	518	518	518	0	4000 Albitol BL	518 1/2	518	518	518	0	4000 Albitol BL	518 1/2	518	518	518	0
4000 Albitol BM	518 1/2	518	518	518	0	4000 Albitol BM	518 1/2	518	518	518	0	4000 Albitol BM	518 1/2	518	518	518	0
4000 Albitol BN	518 1/2	518	518	518	0	4000 Albitol BN	518 1/2	518	518	518	0	4000 Albitol BN	518 1/2	518	518	518	0
4000 Albitol BO	518 1/2	518	518	518	0	4000 Albitol BO	518 1/2	518	518	518	0	4000 Albitol BO	518 1/2	518	518	518	0
4000 Albitol BP	518 1/2	518	518	518	0	4000 Albitol BP	518 1/2	518	518	518	0	4000 Albitol BP	518 1/2	518	518	518	0
4000 Albitol BQ	518 1/2	518	518	518	0	4000 Albitol BQ	518 1/2	518	518	518	0	4000 Albitol BQ	518 1/2	518	518	518	0
4000 Albitol BR	518 1/2	518	518	518	0	4000 Albitol BR	518 1/2	518	518	518	0	4000 Albitol BR	518 1/2	518	518	518	0
4000 Albitol BS	518 1/2	518	518	518	0	4000 Albitol BS	518 1/2	518	518	518	0	4000 Albitol BS	518 1/2	518	518	518	0
4000 Albitol BT	518 1/2	518	518	518	0	4000 Albitol BT	518 1/2	518	518	518	0	4000 Albitol BT	518 1/2	518	518	518	0
4000 Albitol BU	518 1/2	518	518	518	0	4000 Albitol BU	518 1/2	518	518	518	0	4000 Albitol BU	518 1/2	518	518	518	0
4000 Albitol BV	518 1/2	518	518	518	0	4000 Albitol BV	518 1/2	518	518	518	0	4000 Albitol BV	518 1/2	518	518	518	0
4000 Albitol BW	518 1/2	518	518	518	0	4000 Albitol BW	518 1/2	518	518	518	0	4000 Albitol BW	518 1/2	518	518	518	0
4000 Albitol BX	518 1/2	518	518	518	0	4000 Albitol BX	518 1/2	518	518	518	0	4000 Albitol BX	518 1/2	518	518	518	0
4000 Albitol BY	518 1/2	518	518	518	0	4000 Albitol BY	518 1/2	518	518	518	0	4000 Albitol BY	518 1/2	518	518	518	0
4000 Albitol BZ	518 1/2	518	518	518	0	4000 Albitol BZ	518 1/2	518	518	518	0	4000 Albitol BZ	518 1/2	518	518	518	0
4000 Albitol CA	518 1/2	518	518	518	0	4000 Albitol CA	518 1/2	518	518	518	0	4000 Albitol CA	518 1/2	518	518	518	0
4000 Albitol CB	518 1/2	518	518	518	0	4000 Albitol CB	518 1/2	518	518	518	0	4000 Albitol CB	518 1/2	518	518	518	0
4000 Albitol CC	518 1/2	518	518	518	0	4000 Albitol CC	518 1/2	518	518	518	0	4000 Albitol CC	518 1/2	518	518	518	0
4000 Albitol CD	518 1/2	518	518	518	0	4000 Albitol CD	518 1/2	518	518	518	0	4000 Albitol CD	518 1/2	518	518	518	0
4000 Albitol CE	518 1/2	518	518	518	0	4000 Albitol CE	518 1/2	518	518	518	0	4000 Albitol CE	518 1/2	518	518	518	0
4000 Albitol CF	518 1/2	518	518	518	0	4000 Albitol CF	518 1/2	518	518	518	0	4000 Albitol CF	518 1/2	518	518	518	0
4000 Albitol CG	518 1/2	518	518	518	0	4000 Albitol CG	518 1/2	518	518	518	0	4000 Albitol CG	518 1/2	518	518	518	0
4000 Albitol CH	518 1/2	518	518	518	0	4000 Albitol CH	518 1/2										

## FT SURVEYS

**Price data supplied by Telekurs.**

**NOTES** - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. (a) unavailable, (b) Dealings suspended, (c) Ex dividend, (d) Ex scrip issue, (e) Ex rights, (f) Ex all.  
†Due to problems at the exchange, Helsinki prices for June 8 were unavailable.



**FINANCIAL TIMES WEDNESDAY JUNE 10 1992**

**AME**

OUT  
LUT  
TO



**NASDAQ NATIONAL MARKET**

4:00 pm prices June 9

[illegible]

## 4:00 am prices June 8

0.12	17	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000	1005	1010	1015	1020	1025	1030	1035	1040	1045	1050	1055	1060	1065	1070	1075	1080	1085	1090	1095	1100	1105	1110	1115	1120	1125	1130	1135	1140	1145	1150	1155	1160	1165	1170	1175	1180	1185	1190	1195	1200	1205	1210	1215	1220	1225	1230	1235	1240	1245	1250	1255	1260	1265	1270	1275	1280	1285	1290	1295	1300	1305	1310	1315	1320	1325	1330	1335	1340	1345	1350	1355	1360	1365	1370	1375	1380	1385	1390	1395	1400	1405	1410	1415	1420	1425	1430	1435	1440	1445	1450	1455	1460	1465	1470	1475	1480	1485	1490	1495	1500	1505	1510	1515	1520	1525	1530	1535	1540	1545	1550	1555	1560	1565	1570	1575	1580	1585	1590	1595	1600	1605	1610	1615	1620	1625	1630	1635	1640	1645	1650	1655	1660	1665	1670	1675	1680	1685	1690	1695	1700	1705	1710	1715	1720	1725	1730	1735	1740	1745	1750	1755	1760	1765	1770	1775	1780	1785	1790	1795	1800	1805	1810	1815	1820	1825	1830	1835	1840	1845	1850	1855	1860	1865	1870	1875	1880	1885	1890	1895	1900	1905	1910	1915	1920	1925	1930	1935	1940	1945	1950	1955	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070	2075	2080	2085	2090	2095	2100	2105	2110	2115	2120	2125	2130	2135	2140	2145	2150	2155	2160	2165	2170	2175	2180	2185	2190	2195	2200	2205	2210	2215	2220	2225	2230	2235	2240	2245	2250	2255	2260	2265	2270	2275	2280	2285	2290	2295	2300	2305	2310	2315	2320	2325	2330	2335	2340	2345	2350	2355	2360	2365	2370	2375	2380	2385	2390	2395	2400	2405	2410	2415	2420	2425	2430	2435	2440	2445	2450	2455	2460	2465	2470	2475	2480	2485	2490	2495	2500	2505	2510	2515	2520	2525	2530	2535	2540	2545	2550	2555	2560	2565	2570	2575	2580	2585	2590	2595	2600	2605	2610	2615	2620	2625	2630	2635	2640	2645	2650	2655	2660	2665	2670	2675	2680	2685	2690	2695	2700	2705	2710	2715	2720	2725	2730	2735	2740	2745	2750	2755	2760	2765	2770	2775	2780	2785	2790	2795	2800	2805	2810	2815	2820	2825	2830	2835	2840	2845	2850	2855	2860	2865	2870	2875	2880	2885	2890	2895	2900	2905	2910	2915	2920	2925	2930	2935	2940	2945	2950	2955	2960	2965	2970	2975	2980	2985	2990	2995	3000	3005	3010	3015	3020	3025	3030	3035	3040	3045	3050	3055	3060	3065	3070	3075	3080	3085	3090	3095	3100	3105	3110	3115	3120	3125	3130	3135	3140	3145	3150	3155	3160	3165	3170	3175	3180	3185	3190	3195	3200	3205	3210	3215	3220	3225	3230	3235	3240	3245	3250	3255	3260	3265	3270	3275	3280	3285	3290	3295	3300	3305	3310	3315	3320	3325	3330	3335	3340	3345	3350	3355	3360	3365	3370	3375	3380	3385	3390	3395	3400	3405	3410	3415	3420	3425	3430	3435	3440	3445	3450	3455	3460	3465	3470	3475	3480	3485	3490	3495	3500	3505	3510	3515	3520	3525	3530	3535	3540	3545	3550	3555	3560	3565	3570	3575	3580	3585	3590	3595	3600	3605	3610	3615	3620	3625	3630	3635	3640	3645	3650	3655	3660	3665	3670	3675	3680	3685	3690	3695	3700	3705	3710	3715	3720	3725	3730	3735	3740	3745	3750	3755	3760	3765	3770	3775	3780	3785	3790	3795	3800	3805	3810	3815	3820	3825	3830	3835	3840	3845	3850	3855	3860	3865	3870	3875	3880	3885	3890	3895	3900	3905	3910	3915	3920	3925	3930	3935	3940	3945	3950	3955	3960	3965	3970	3975	3980	3985	3990	3995	4000	4005	4010	4015	4020	4025	4030	4035	4040	4045	4050	4055	4060	4065	4070	4075	4080	4085	4090	4095	4100	4105	4110	4115	4120	4125	4130	4135	4140	4145	4150	4155	4160	4165	4170	4175	4180	4185	4190	4195	4200	4205	4210	4215	4220	4225	4230	4235	4240	4245	4250	4255	4260	4265	4270	4275	4280	4285	4290	4295	4300	4305	4310	4315	4320	4325	4330	4335	4340	4345	4350	4355	4360	4365	4370	4375	4380	4385	4390	4395	4400	4405	4410	4415	4420	4425	4430	4435	4440	4445	4450	4455	4460	4465	4470	4475	4480	4485	4490	4495	4500	4505	4510	4515	4520	4525	4530	4535	4540	4545	4550	4555	4560	4565	4570	4575	4580	4585	4590	4595	4600	4605	4610	4615	4620	4625	4630	4635	4640	4645	4650	4655	4660	4665	4670	4675	4680	4685	4690	4695	4700	4705	4710	4715	4720	4725	4730	4735	4740	4745	4750	4755	4760	4765	4770	4775	4780	4785	4790	4795	4800	4805	4810	4815	4820	4825	4830	4835	4840	4845	4850	4855	4860	4865	4870	4875	4880	4885	4890	4895	4900	4905	4910	4915	4920	4925	4930	4935	4940	4945	4950	4955	4960	4965	4970	4975	4980	4985	4990	4995	5000	5005	5010	5015	5020	5025	5030	5035	5040	5045	5050	5055	5060	5065	5070	5075	5080	5085	5090	5095	5100	5105	5110	5115	5120	5125	5130	5135	5140	5145	5150	5155	5160	5165	5170	5175	5180	5185	5190	5195	5200	5205	5210	5215	5220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**FINANCIAL TIMES**

The FT proposes to publish this survey on  
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## ET SURVEYS

## FT SURVEYS



## AMERICA

## Economic uncertainty leaves equities lower

## Wall Street

UNCERTAINTY among investors about the economic outlook and concern regarding overvalued equity markets sent share prices into a brief tailspin yesterday, writes Patrick Harverson in New York.

At the close the Dow Jones Industrial Average was down 34.21 at 3,389.92. The more broadly based Standard & Poor's 500 also ended lower, down 3.30 at 110.08, as did the Amex composite, down 3.37 at 383.06, and the Nasdaq composite, down 8.21 at 573.80.

Turnover on the NYSE was 192m shares, and declines outpaced rises by a ratio of more than two to one.

The market has moved little in the past three weeks, reflecting confusion among investors about the short-term direction of share prices. Although most recent economic data suggests that the recovery is advancing, albeit very slowly, the pace of economic activity has been insufficient to generate much fresh demand for equities.

Barring another interest rate cut, therefore, the market lacks strong fundamental support, and it has become increasingly exposed to sudden sell-offs spread across a range of cyclical and growth stocks.

Leading the way lower were classic cyclical like International Paper, down 3.2% at

56.4%, and Aluminum Company of America, down 3.1% at 77.74.

The former was not helped by a downgrade from analysts at the brokerage house, Salomon Brothers, who cut their earnings estimates for several paper and forest products companies to reflect pressures in the linerboard market.

Other stocks to suffer from the Salomon move were Georgia-Pacific, down 3% at \$60.74, Temple-Inland, 1.1% lower at \$47.74, and Stone Container, 1% weaker at \$23.4.

At the same time, Salomon also downgraded its ratings of several newspaper groups. Knight-Ridder fell 2% to \$56.4, Washington Post gave up 3.3% to \$25.5, and Gannett slipped 2.2% to \$4.4. In the same sector, Tribune Co dropped 1.1% to \$40.4 after Smith Barney Harris Upham reduced its 1992 estimate for the company from \$2.05 a share to \$2.25.

Among other stocks to post losses were IBM, down 3% at \$90.4, Walt Disney, 1% lower at \$36.4, Goodyear, down 1.1% at \$68.4, and Philip Morris, 2% weaker at \$74.4.

Aetna Life bucked the trend, climbing 3% to \$41.4 in active trading after the company entered into a pact to sell its American Re unit to a company formed by the reinsurer's subsidiary's management and Kohlberg Kravis Roberts, the buy-out specialists.

Super Valu firmed 3% to

\$25.4, and Wattersau soared 36% to \$30.4 on the news that the two companies, which are among the biggest food distributors in the US, will merge in a deal said to be worth \$1.1bn.

Gencorp rose 3% to \$14.4 after reporting second quarter net income of 43 cents a share, up from 39 cents a share a year ago.

On the Nasdaq market, MCI Communications eased 3% at \$33.4 as investors continued to digest the implications of the death of Mr William McGowan, the longtime chairman of the telecoms group.

## Canada

TORONTO prices closed lower in moderate activity which was boosted by three large block trades.

Based on preliminary data, the TSE 300 index fell 8.39 points, or 0.25 per cent, to 3,386.09. Declining issues led advances 331 to 256. Volume was 35.9m shares, up sharply from the previous 20.8m, and trading value was C\$397.3m against C\$254.2m.

Tuesday's volume included three blocks - two in Mackenzie Financial totalling about 7m shares, and one in Investors Group at 3.3m shares. Among the sub-indexes, ten of the 14 were lower. Financial services, mining, energy and consumer products were all down somewhat and industrial products group ended flat.

## EUROPE

## Interest rate worries hit more bourses

BOURSES which returned from the Whit Monday holiday were mainly lower yesterday, writes Our Markets Staff.

In southern Europe, open on Monday, Madrid reacted to the higher interest rates which had depressed Milan a day earlier.

PARIS was upset by a weak bond market as well as lingering concerns over Maastricht. The financial sector featured Société Générale, down FF12.00 to FF224.00 and Suez, FF2.50 lower at FF318.40. The CAC-40 closed down 19.35 at 1,922.3.

However, there was plenty of corporate news to keep traders interested. An analysts' meeting with Schneider had a profound effect on its stock and that of its subsidiaries.

The group gave negative comments on prospects and its shares tumbled FF54.00 or some 7 per cent to FF708.00. This followed through into Merlin, down FF49.00 to FF546.00 and Spie, off FF26.00 at FF329.00. Meanwhile, SFE shed FF33.00 to FF301.00.

Schneider's investment certificates were suspended at FF360.00 pending an announcement after the close.

that it was to sell its nuclear assets for some FF2.2bn. Pechiney International was FF2.30 weaker at FF201.10.

Elsewhere dealing in Casino was suspended prior to the announcement that the private group, Rallye, is selling its food business to Casino, thereby creating the country's second largest food retailer. Disappointing figures from Club Méditerranée and rumours of a rights issue sent the Club's shares down FF20.00, or 3.8 per cent to FF496.00.

FRANKFURT saw its main price changes in secondary stocks, the DAX index falling by only 2.81 to 1,786.36 after a 0.57 decline to 713.60 in the FAZ at mid-session. Volume fell from DM5.6bn to only DM3.8m.

Among the second lines Continental, the tyre maker, traded in DM33m as the shares rose DM4 to DM276 with some dealers blaming Pirelli SpA, the Italian company which began its pursuit of Conti nearly two years ago. Pirelli, however, is not believed to have the resources to put its merger plans into practice.

Deutsche merger terms were behind the rise in Hoesch, the steel company, which leapt another DM250 yesterday to a new 1992 high of DM290. But the terms, involving Krupp AG shares and a minimal amount of cash, are of limited value since the Krupp AG shares are not yet quoted.

Mr Michael Geiger of County NatWest said yesterday that speculators may be trading on an independent auditors' report which has said that Hoesch alone would be worth DM5.3bn, or DM745 a share. However, this is based on arbitrary criteria, says Mr Geiger, who adds the steel industry environment is still difficult and that the speculators could be on the wrong track.

AMSTERDAM's CBS Tendency index finished 0.3 lower at 130.4 in turnover of some FF439m.

## FT-SE Eurotrack 100 - Jun 9

Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1176.16	1176.40	1176.19	1175.51	1175.32	1175.00	1174.98	1174.96
Day's High 1177.11				Day's Low 1173.85			
Jun 8	Jun 9	Jun 4	Jun 3	Jun 2			
1177.48	1181.18	1184.92	1186.81	1200.27			

Data source: Reuters (20/10/92)

1 Point

steel company, which leapt another DM250 yesterday to a new 1992 high of DM290. But the terms, involving Krupp AG shares and a minimal amount of cash, are of limited value since the Krupp AG shares are not yet quoted.

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Fokker advanced 20 cents to FF34.20 following news that agreement had been reached with DASA whereby the Dutch manufacturer will be the lead company in production of short-haul regional aircraft.

Philips was 50 cents stronger at FF38.80 in spite of announcing that it had placed 1.5m new shares while Heineken lost 50 cents to FF167.00 on news that rationalisation costs at its Spanish brewer El Aguilá could reach FF100m. Grochols was also lower, FF2.50 at FF213.50, following an analysts' meeting.

MILAN saw a late wave of support-buying and short-covering focused on Olivetti and Fiat, and a 1.04 fall to 480.04 in the Comit index at the close was replaced by a marginal gain in continuous trading.

Olivetti rose L38 to L3,018 and Fiat, after a L56 fall to L5,164 on the official day, recovered to L5,200 on the kerb. A selective, and limited recovery in bank shares saw Credito Italiano up L20 at L1,670 and Mediobanca L120 higher at L13,220.

MADRID's general index closed down 2.93 at 250.7 in high turnover of some Ptas13bn. Stocks with US exposure were affected by the weakness of the dollar while some general profit-taking was noted. Telefonos slipped Ptas25 to Ptas1,095.

STOCKHOLM extended its losing streak to five consecutive sessions, the Allshare General index closing 11.0 lower at 963.5.

SE Banken C shares led the decline at SKr31, down from SKr35 last Friday, when it revealed a SKr600m first quarter operating loss, and down 24 per cent from SKr11 ten days ago. Ahead of its interim next Tuesday, Svenska Handelsbanken B fell SKr4 to SKr35.

COPENHAGEN's all-share index fell 1.89 to 329.58 in very thin trade, writes Hilary Barnes, with turnover at only DKr191m.

Maxwell involved in 100 shares

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## New image set to revive dejected Turkish stocks

John Murray Brown reports on market reforms

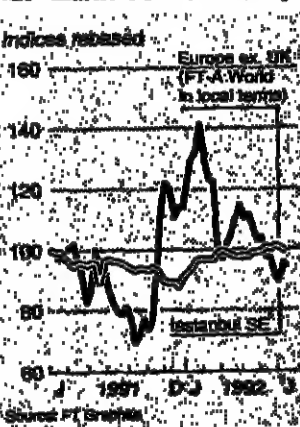
It is not unusual these days for authorities at the Istanbul stock market to mount a surprise audit of one of the exchange's 110 brokers. It happened recently and Mr Imre Yigit of Global Securities, one of the brokerages affected, believes that the government is intent on setting an example as part of its new good house-keeping image.

A new image is certainly needed. In the first four months of 1992, no emerging market slumped as much as Turkey's, according to the International Finance Corporation, the World Bank's private-sector lending arm. The index yesterday was down on the day, but 40 per cent below its all time high of 5,749 on August 2 1990, the day Iraq invaded Kuwait. Trading volume at around TL200bn is less than a third of the recent high point in January. Foreigners have all but departed the exchange floor, while local short-term investors are attracted to put their savings into gold or bank deposits.

However, the government is now making a concerted effort to revive the market's fortunes. Amendments have been passed to the Capital Markets law, which seek to provide greater investor protection against insider trading and other offences. There are tax changes in place to reduce the attraction of holding treasury bills, and so stimulate equity trading.

The reforms, which review the tax breaks enjoyed by holders of government paper, have already been approved by parliament and await the presi-

dent's signature. A tender is also about to be issued to install a computer system in the market's new Istinye



premises, a convention hall once owned by the tourism ministry.

Mr Yigit, head of research at Global, believes that the country is pulling out of recession and he expects share prices to follow. "The market's cheap, which ever way you look at it," he says.

Inflation figures for May, published last Friday, have given added encouragement to that view and analysts now believe that the annual rate will settle at less than 60 per cent, down on the 70 per cent rate recorded last year.

Industrial production in the first quarter was up 10.2 per cent and Global is projecting real profits growth for the market of between 10 and 15 per cent this year.

However, most brokers are agreed that if the stock exchange is to take advantage of any pick-up in the economy,

it will have to push ahead with its proposed reforms.

Four accounting is only one of the problems, ranging from insider trading and certificate forgery, to technical questions relating to settlement and clearance. Under the new law, it was suggested that shares held by company directors should carry special serial numbers in an effort to deter insider trading. Later, this proved impracticable to implement.

Settlement, too, is a problem, particularly for foreign investors. Largely because of the lira's depreciation, the current system requires that brokers clear their trading account either by cash or by physical stock delivery within one day. Brokerage houses frequently have to use their own resources to meet the settlement deadline on the behalf of their foreign clients.

Forged share certificates, stolen certificates, even the use of shares impounded under court orders: these also remain major problems, despite the vigilance of publishing the serial numbers in the official daily list.

A US consultancy has now been contracted to devise new settlement procedures - the first step of which is to encourage brokers to pool more of their share certificates in a central depository. This would speed up clearance and reduce the incidence of forgery.

If all goes well, the aim, says the market moves to its own premises and adopts fully computerised trading, is to have a paperless exchange.

## ASIA PACIFIC

## Pension fund and investment trusts lift Tokyo

## Tokyo

SMALL-lot buying by pension funds and investment trusts pushed up share prices yesterday, but continuing inactivity among institutional investors left volume subdued, writes Emilio Teraszowski in Tokyo.

The Nikkei average closed up 189.96 at 17,945.04, having fallen in the morning to the day's low of 17,580.38 on arbitrage unwinding. It reached a high of 17,951.50 in the afternoon on small-lot bargain hunting and dealer buying of these stocks.

Volume was unchanged at 170m shares. Advances led declines by 646 to 258 with 174 unchanged, the Topix index of all first section stocks advanced 9.20 to 1,346.93 and, in London, the ISE/Nikkei 50 index added 0.84 to 1,063.24.

Investors waited for this week's June futures and options expiration, although most traders reckon that their concerns over arbitrage unwinding have subsided, due to the decline in cash stock positions held against the June futures.

However, some caution remains because rule changes concerning option exercise and settlements will be implemented from the June contract.

"Since option exercise has been limited to once a month on expiration day instead of once a week, share prices will be affected by Friday's exercise related trading," said Mr Masa Sato, derivatives trader at Dai-ichi Securities. Large buying positions of "put" options - or the right to sell - at the 18,500 level could depress the index, he added.

Dealers used theme stocks to boost volume. Meiji Milk Products, the most active issue of the day, rose Y87 to Y992, cap-

## SOUTH AFRICA

JOHANNESBURG was mixed in low volume. Blue-chip miners also helped lift the index by 11 to 4,680, while the overall index was 2 lower at 3,741. The gold index shed 5 to 1,074. Vaal Reefs lost 50 cents to R179.50.

turing 12 per cent of market volume. Other bio-technology related issues were also firm, with Moringa Milk Industry rising Y28 to Y866 and Okamoto Industries advancing Y30 to Y1,340.

Fuji Photo Film gained attention on reports that it had developed an anti-cancer substance with Harvard University. However, initial interest waned, and Fuji closed unchanged at Y2,830.

High-technology issues were higher on bargain hunting. Hitachi rose Y4 to Y799 and Toshiba added Y4 to Y585. However, Nikon, the precision products group, fell Y19 to Y805, extending its losses for the fifth consecutive day. Investors were discouraged by the company's forecast of a 44 per cent fall in pre-tax profits for the year to March 1993.

In Osaka, the OSE average rose 245.29 to 20,497.55 in vol-

ume of 10m shares. The index was supported by small-lot, dealer buying of environmental and bio-technology related shares.

## Roundup

THE SEARCH for "hot" markets in the region came to a halt yesterday, most of them falling, and Hong Kong playing a painful arbitrage game in the banking sector. Jakarta was closed for the Indonesian general election.

BANGKOK threatened its May 19 low of 877.84 for 1992, the SET index dropping 18.75 or 2.7 per cent to 864.47 in turnover of B4.7bn. Selling was inspired by nervousness about today's third and final reading of a constitutional amendment, and demonstrations planned by pro-military and opposition groups.

Two property groups, Krisda-

Mahakorn and Bangkok Land, fell by B12 and B7, to B186 and B126 respectively, coming second and third on the most-active list.

HONG KONG was pulled down by the continued fall in HSBC Holdings, parent of the Hongkong Bank, in the wake of its successful bid for Midland Bank of the UK.

HSBC fell HK2 to HK44.75 for a two-day drop of HK33.50, and banks in general posted the biggest losses as the Hang Seng index fell 38.56 to 5,940.19 following Monday's 57-point decline. Turnover rose from HK\$3.83bn to HK\$4.07bn.

In an international context, brokers said that traders had reversed the arbitrage process followed when the Hong Kong market was going up, and were now selling HSBC to buy Midland.

SEOUL hit its lowest point since President Roh Tae-woo

came to power in February 1988, although intervention by the market stabilisation fund left the composite index just 1.89 down at 561.76 after an intraday low of 551.38.

Most professionals, however, said that private and institutional investors were demoralised.

TAIWAN's weighted index dropped 38.39 to 4,526.65 on fears that the central bank would tighten money market liquidity to fight inflation.

MANILA dipped slightly on profit-taking, the composite index closing 12.03 lower at 1,568.95, but having seen a break about the 1,600 barrier in the morning, dealers thought that there was still upside in the market.

BOMBAY closed up but off the day's highs on profit-taking and the BSE index gained 53.97 to 3,164.23 for a rise of 2 per cent since Monday.

## GT EUROPE FUND

Société d'Investissement à Capital Variable  
Registered Office: 2, boulevard Royal, L-2953 Luxembourg  
R.C. Luxembourg No 8-21008

Notice is hereby given to the shareholders, that the

## ANNUAL GENERAL MEETING

of shareholders of GT EUROPE FUND will be held at the offices of Banque Internationale à Luxembourg, Société Anonyme, 69, route d'Esch, L-1470 Luxembourg, on Friday, 19th June, 1992 at 11.00 a.m. with the following agenda:

- To hear and accept the Reports of:
  - The Directors
  - The Auditor.
- To approve the Report of the Directors for the year ended 31st December, 1991 including the Statement of Net Assets as at 31st December, 1991 and Statement of Operations for the year ended 31st December, 1991.
- To discharge the Board of Directors and Auditor with respect of their performance of duties from 1st January, 1991 to 31st December, 1991.
- To elect as Directors to serve until the next Annual General Meeting of Shareholders: D.H. FitzWilliam-Lay, J.L. Chenut, A. Elvinger, E.C. Fleischer, P.J.S. Gray, D.N. Ledebor, W. Mandt-Merck, H. Nipp.
- To elect as Auditor to serve until the next Annual General Meeting of Shareholders: Coopers & Lybrand S.C.
- To declare a dividend in respect of the year ended 31st December, 1991.
- To approve the payment of Directors' fees of \$ 7,000 each.
- Any other business.
- Adjournment.

The shareholders are advised that no quorum is required for the items on the agenda of the Annual General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting.

In order to take part at the meeting of 19th June, 1992, the owners of bearer shares will have to deposit their shares five clear days before the meeting with registered office of the company or with Banque Internationale à Luxembourg, 69, route d'Esch, L-1470 Luxembourg.

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## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 9 1992												MONDAY JUNE 8 1992												DOLLAR INDEX				
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % Chg	Gross Ch. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % Chg	Gross Ch. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % Chg	Gross Ch. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % Chg	Gross Ch. Yield
Australia (69)	183.08	-0.1	123.82	129.48	126.55	133.26	-0.0	4.09	183.18	123.83	123.06	126.68	133.26	158.68	140.94	133.26													
Austria (18)	174.88	+0.2	141.48	141.09	144.80	144.57	+0.3	2.03	174.50	141.07	140.20	144.21	144.19	148.70	162.48	139.59													
Belgium (46)	144.00	-0.1	116.47	116.14	116.04	116.30	-0.2	5.25	143.91	116.34	115.61	116.18	116.22	116.05	146.19	136.87	130.50												
Canada (12)	128.15	-0.7	103.65	103.38	105.93	110.75	-0.1	3.31	128.31	103.73	103.87	103.83	106.63	110.89	122.52	126.91													
Denmark (35)	123.15	-0.7	102.85	102.85	102.85	102.85	-0.7	8.84	123.15	102.85	102.85	102.85	102.85	102.85	102.85	102.85													
Finland (18)	77.60	-0.5	62.77	62.80	61.15	70.38	-0.8	2.01	78.00	63.05	62.87	60.46	70.82	89.80	75.64	111.01													
France (104)	162.81	-0.5	131.89	131.31	134.68	136.78	-0.9	3.44	164.24	132.27	131.84	135.71	138.02	138.02	148.05	138.02													
Germany (162)	185.15	-0.7	135.12	135.12	135.12	135.12	-0.7	8.84	185.15	135.12	135.12	135.12	135.12	135.12	135.12	135.12													
Hong Kong (55)	249.71	-0.7	201.97	201.40	205.42	247.89	-0.7	3.31	251.42	203.25	202.02	200.78	249.70	256.47	176.35	151.75													
Ireland (18)	158.74	-0.2	128.40	128.40	131.22	133.10	+0.0	4.09	158.44	128.08	127.29	130.93	133.08	173.71	151.78	141.54													
Italy (10)	103.88	+0.3	58.84	58.88	59.09	83.15	-0.2	3.35	70.45	58.95	58.96	58.96	58.96	58.96	58.96	58.96													
Japan (473)	103.99	+0.3	58.84	58.88	59.09	83.15	-0.2	3.35	70.45	58.95	58.96	58.96	58.96	58.96	58.96	58.96													
Malaysia (99)	235.13	-0.1	190.18	198.64	194.38	228.20	-0.2	2.72	236.47	190.39	198.18	194.68	228.20	250.17	212.49	235.85													
Netherlands (19)	133.58	+0.2	133.58	133.58	133.58	133.58	-0.8	1.02	167.12	134.67	133.99	134.67	167.12	167.12	167.12	167.12													
Netherlands (19)	133.58	+0.2	133.58	133.58	133.58	133.58	-0.8	1.02	167.12	134.67	133.99	134.67	167.12	167.12	167.12	167.12													
New Zealand (14)	47.32	-0.2	38.27	38.17	30.12	43.05	-1.0	6.55	47.39	38.31	38.08	39.17	46.32	49.82	40.21	47.95													
Norway (28)	186.85	-0.7	150.88	150.47	154.21	187.17	-0.1	1.81	187.69	151.89	150.85	155.27	158.30	192.95	161.26	186.85													
Portugal (10)	158.82	-0.7	135.12	135.12	135.12	135.12	-0.7	8.84	158.82	135.12	135.12	135.12	135.12	135.12	135.12	135.12													
South Africa (61)	245.16	-0.9	198.26	197.40	188.48	247.68	-0.5	1.98	224.37	191.39	189.28	185.41	189.28	245.16	245.16	245.16													
Spain (80)	154.22	-1.0	124.74	124.74	127.49	117.13	-1.2	1.19	155.20	125.08	125.11	128.88	118.88	161.72	148.86	137.02													
Sweden (16)	158.82	-1.0	124.74	124.74	127.49	117.13	-1.2	1.19	155.20	125.08	125.11	128.88	118.88	161.72	148.86	137.02													
Switzerland (61)	107.09	-0.5	86.82	86.82	86.82	86.82	-0.5	2.66	107.09	86.82	86.82	86.82	86.82	86.82	86.82	86.82													
United Kingdom (228)	194.23	-0.4	157.10	156.85	156.84	157.10	-0.4	4.76	195.75	156.85	156.88	156.88	157.10	167.69	157.69	157.69													
USA (522)	187.07	-0.8	135.13	134.78	138.11	126.97	-0.8	2.98	188.43	135.18	135.32	139.19	188.43	171.88	160.92	154.78													
Australia (762)	154.10	-0.4	124.84	124.78	128.91	126.97	-0.4	3.67	154.73	125.13	124.38	127.92	127.96	158.86	139.31	154.73													
Canada (12)	128.15	-0.7	103.65	103.38	105.93	110.75	-0.1	3.31	128.31	103.73	103.87	103.83	106.63	110.89	122.52	126.91													
Europe Basin (719)	110.16	+0.2	89.10	88.96	91.07	99.97	+0.6	1.29	109.25	88.96	89.31	90.84	89.38	91.47	94.80	131.53													
Europe - Pacific (1510)	127.88	-0.1	103.90	103.20	105.77	105.19	-0.1	2.58	128.09	103.54	102.80	105.84	105.10	145.21	113.80	144.54													
Europe - Pacific (1510)	127.88	-0.1	103.90	103.20	105.77	105.19	-0.1	2.58	128.09	103.54	102.80	105.84	105.10	145.21	113.80	144.54													
Europe - Pacific (1510)	127.88	-0.1	103.90	103.20	105.77	105.19	-0.1	2.58	128.09	103.54	102.80	105.84	105.10	145.21	113.80	144.54													
Europe Ex. UK (845)	130.11	-0.5	106.28	104.97	107.58	105.38	-0.6	3.00	130.91	104.12	103.31	107.13	105.38	106.87	131.71	121.81													
Pacific Ex. Japan (245)	173.91	-0.4	140.94	140.29	143.77	154.03	-0.4	3.50	174.53	141.09	140.24	144.24	154.03	173.91	148.00	137.92													
World Ex. US (1704)	130.29	-0.1	105.38	105.07	107.88	107.43	-0.1	2.59	130.42	105.43	104.79	107.78	107.43	146.91	136.45	146.91													
World Ex. US (1704)	130.29	-0.1	105.38	105.07	107.88	107.43	-0.1	2.59	130.42	105.43	104.79	107.78	107.43	146.91	136.45	146.91													
World Ex. US, Af. (2165)	141.00	-0.4	114.05	113.74	116.87	125.43	-0.3	2.75	141.48	113.74	113.76	116.88	125.79	135.05	130.04	141.48													
World Ex. Japan (2228)	183.03	-0.6	131.87	131.51	134.79	135.04	-0.6	3.32	184.05	132.64	131.84	135.51	151.26	165.40	163.21	147.94													
The World Index (1776)	141.89	-0.4	114.60	114.29	117.13	126.00	-0.3	2.75	142.16	115.00	114.29	117.15	126.36	150.70	130.86	141.89													